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EDITORIAL

Inflation: It is Future Trading Stupid!

By: Piyush Pant

So the chieftain of the Gang of Nations forcing the neo-liberal economic agenda on the developing world seems to have been fallen seriously ill. This illness appears to have been the result of the very (economic) dietary prescription written by it for the health (growth) of the economies of the developing countries. The writing is clear on the wall. U.S. economy is melting down. Inflation is on the rise and derivative and commodity markets are crashing. U.S dollar is becoming worthless as the housing crisis and too much credit has created a credit crisis that is undermining the value of U. S currency. On top of it, American government is running a budget deficit of 1.8 billion per day and the US National Debt is 8 trillion plus dollars. Adult American taxpayers have an average of 48000 dollars in debt due to credit cards, mortgages, university debts etc. And finally to add insult to injury, there was the fall of big Wall Street entities like Lehman Brothers Holdings Inc. and the merger of Merrill Lynch & Co with Bank of America Corp. in the third week of September. US consumer prices rose at an annual rate of 5 per cent in June this year sending the prices of food and energy skyrocketing. And all this is the result of the policies being pursued in the name of globalization and liberalization.

In fact for the last 2-3 years, U.S. economy was continuously in the mode of recession but not much attention was paid to it. Rather, by continuing to make available the easy credit facilities the impression was created that everything was O.K. in the economy. Since US economy is accustomed of facing bouts of recession, it was thought that the slow-down, this time too, would be a transitory phase and economy will eventually pick up the growth. But here the fact was forgotten that during 1991-92 recession the US economy was industry based. Now it is service-based. And services, after all, depend largely on discretionary incomes and relative prosperity as opposed to manufacturing which is needed at all times. The reality is that consumer bankruptcies, in U. S., are at an all-time high, while the savings of the average U.S household is at pre-1933 lows. According to a survey released by the US Department of Commerce, the national savings level is now actually in the negative percentile. Moreover, excessive and unrestrained play of the finance capital on Wall Street also resulted in funds desperately seeking higher returns in commodity speculation, especially after the housing collapse and fall in equity markets. It has been estimated that within a short period of four years since 2003, hedge fund investments in oil, metals and other soft commodities went up over four times i.e. from 50 billion dollars to over 200 billion dollars. This resulted in oil prices skyrocketing.

This share market-generated capital finance, losing its link with the real economy, would have done the same with developing economies like India, had Indian economy not taken the precaution of slowing down the process of reforms or for that matter had not partially kept intact the regulatory regime. If this had taken place, Indian economy would have paid a heavy price for being a cohort of the global neo-liberal forces. Already Indian masses have paid a heavy price in the form of steep hike in the prices of essential commodities as a result of Indian government's decision allowing Future Trading in commodities including agriculture produce. The result was that "non-commercial traders" i. e. speculators came into

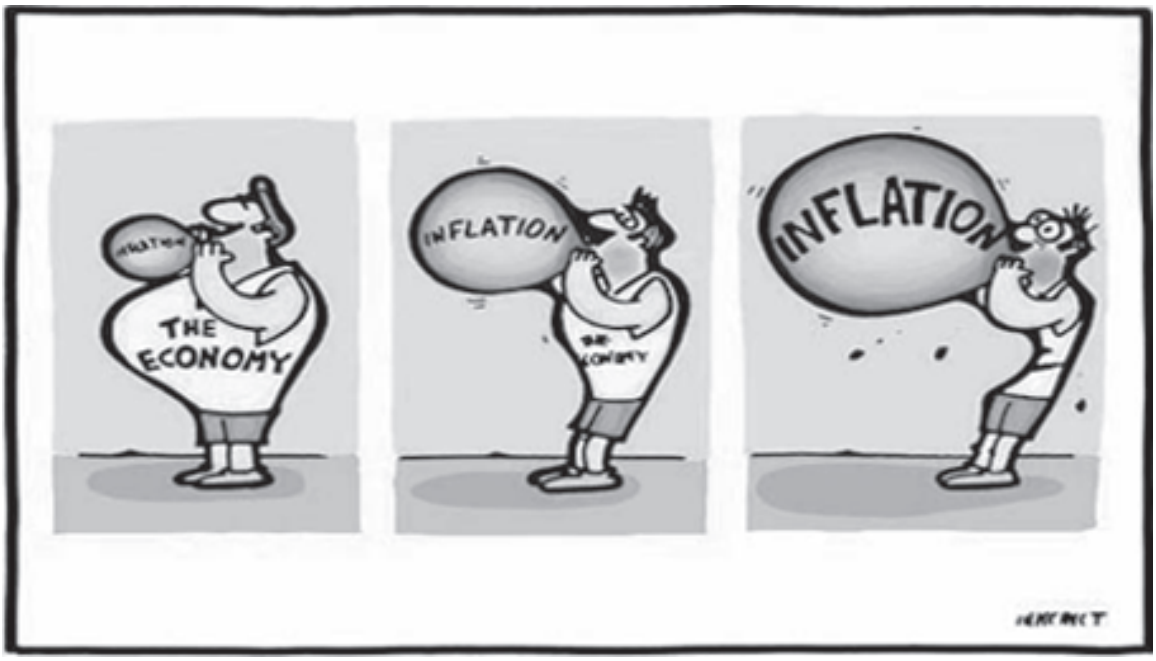
In This Issue

appeal Action Programme for People's Economics and Allied Literacy

the agricultural commodity market and manipulated it. Even UN Food and Agriculture Organisation's report has this to say about global inflation-'Apart from drought, speculation was the other factor being responsible for the record highs and the recent volatility in the market. The share of the futures market rose to 43% from 17 % in 2005.'

In India, once the inflation started taking a flight, no amount of governmental measures could stop it. Despite Finance Minister P Chidambaram's assertions, in successive budgets, to keep the inflation rate pegged down to around 3 to 4%, it kept on moving and reached the level of 12.40 % on 28th August 2008. Perhaps Indian finance minister failed to understand that once you tread the path of market economy, you lose the control over the driving wheel of the economy which becomes fully controlled and directed by the market forces. That's why whereas till early 90's, inflation, in India, was mostly due to domestic factors i. e. supply unable to meet the demand, now it is caused more by global rather than domestic factors. This is precisely due to Indian economy undergoing massive structural changes. Here it is to be noted that global agricultural market has also been witnessing structural change which has driven the international prices of agricultural commodities to the sky. According to UN Food and Agriculture Organisation- Over one year from March 2007 to March 2008 , prices of cereals have increased 88%, oils and fats 106 % and dairy 48 % . Similarly the World Bank report says that in the last 36 months ending February 2008, global wheat prices rose 181% and overall global food prices increased by 83 %. In early September 2007 the price of wheat in the world market rose to over 400 dollars a tone, the highest ever recorded. In May 2007 it had been around 200 dollars. Though in real terms this price is far below the hights it scaled in 1974, still it is twice the average of past 25 years. Similarly in 2007 maize (corn) touched the price 175 dollars a tone, again a world record. It is common knowledge that as the price of one crop shoots up, the farmers plant it to take advantage, thus switching land from other uses. So a rise in wheat price has knock-on effects on other crops. It led to a situation where on the one hand, the prices of essential food grains like wheat, rice, maize etc. made them beyond the reach of average man, on the other hand, the greedy competition to grow higher return-generating crops in place of other crops contributed, to a certain extent, to the scarcity of food and hence a false state of hunger leading to unrest in some pockets of many developing and under developed countries. Countries like Cameroon, Senegal, Egypt and Morocco witnessed protests and riots in late 2007 and early 2008 over the unavailability of basic food staples. Mexico, Bolivia, Brazil, Yemen, Uzbekistan, Indonesia, Bangladesh, Pakistan, Sri Lanka and South Africa are the other countries which saw food riots and related unrest. India too saw such riots in the state of West Bengal in 2007.

The most surprising element of such a depressive and anti-people scenario is that the blaming game is continously on. While the US President is trying to blame India and China for the global hunger, the ruling class in India is calling the rising inflation and reduced food stocks a part of the global phenomenon. Certainly it can not be called the part of global phenomenon but it can surely be called the result of religiously applying the neo-liberal policies as dictated by the global agencies like World Bank, International Monetary Fund and World Trade Organisation.



Soaring World Food Prices and Volatility

By: Linu Mathew Philip

For the past two years, the global agricultural market has been witnessing structural change wherein the international prices of agricultural commodities have gone through the roof. These changes are primarily driven by a combination of demand and supply factors. Expanding food consumption demand due to rising income and demographic pressure in Asia along with weather aberrations and diseases especially the two drought years, 2005 and 2006 in Australia, is said to be contributing primarily to the present low stocks in cereals at the global level. Even the avian influenza in many Asian countries is being attributed to the current food crisis. Agricultural commodity prices have risen sharply in 2006. UN Food and Agriculture Organisation (FAO) food price index rose by 9 percent in 2006 compared to the previous year. In September 2007, it stood at 172 points, representing a year-on-year jump in value of roughly 37 percent. The surge in prices has been led primarily by dairy and grains. Even the sugar prices, which peaked in 2006 has been falling since then, but again picked up in the first quarter of 2008. Invariably all commodities have witnessed a structural shift. High prices do help poor farmers, but they also hurt the more numerous category of people (poor city dwellers as well as landless rural folks) who must buy food to survive. Soaring prices for products like rice and wheat cause headaches for aid agencies and especially policymakers find these instances a political risk seriously jeopardizing their electoral results.

Global Food Price Movements

In normal economic theories, price movement follow a cyclical phenomenon with peaks and troughs. Under both these turnarounds leave a trace indelible in the lives of people and most often the poor consumers and producers find it increasingly difficult to adjust to these sudden changes. The current spurt in prices is very often referred to as 'Agflation' created by sharp rise in agricultural commodity including food prices. According to FAO report, 37 countries have been identified requiring external assistance which includes 10 Asian countries and 4 South Asian countries reeling under the food crisis compounded by other political factors. World food price have increased at a very fast pace In the first quarter of 2008 the price indices have scaled up by 23 percentage points and as compared to previous year 2007 it has increased by 78 percentage and from 2005 there has been an increase of over 100 points indicative that prices have almost doubled. At a disaggregated level it can be seen that biggest contributor to this rise in prices are the cereals followed by the oil and fats then dairy, sugar and meat. This increase has been widespread across the globe and the impact on small least developed countries has been the worst.

Worldwide Increase in Prices

Cote d'Ivoire: prices of rice in March 2008 were more than double their levels of a year earlier.

Senegal: wheat prices by February 2008 were twice the level of a year ago and sorghum was up by 56 percent.

Nigeria: in the important subregional market of Dawanau, prices of sorghum and millet have doubled in the past five months.

Somalia: the price of wheat flour in northern areas had almost tripled in the last year.

Sudan: prices of wheat in Khartoum, the capital, in February this year were 90 percent higher than a year earlier.

Uganda: prices of maize in March 2008 have risen by 65 percent from their levels of September last year.

Ethiopia: maize prices in Addis Abbaba in March 2008 were double their levels of a year ago, while those of wheat were 42 percent higher.

Mozambique: in Maputo, the capital, maize prices in March were 43 percent higher than a year ago.

The Philippines: rice prices have increased 50 percent.

Sri Lanka: prices of rice in March 2008 were almost double those of a year ago, while in Bangladesh: they increased by 66 percent in the same period.

Tajikistan: prices of bread in February were twice the levels at the same time in 2007.

Armenia: the price of wheat flour has increased by one-third in the same period.

Haiti: food prices are reported to be from 50 to 100 percent higher than they were last year.

Source: FAO 2008

Agricultural prices have remained very low for over a decade coinciding with the WTO implementation period and the subsidies had a direct bearing on the depressing nature of prices as the level of subsidies

too peaked during the same phase between 1999-2002. The spurt in International food prices is akin to the early 1970s when the prices of international foodgrains doubled and under both these condition there was a serious crisis when the crude oil prices too increased at the same pace. Even now the scenario is similar when the crude oil has shot over USD 100 per barrel. In simple words the fuel prices is precipitating to a considerable extent the current global food price rise. In another analysis by Jayati and C.P. Chandrashekhar have shown that though food prices have spiked up but many agricultural raw materials, had shown only a modest increase until early 2007.

"In the case of food, there are more than just demand forces at work, although it is certainly true that rising incomes in Asia and other parts of the developing world have led to increased demand for food. Five major aspects affecting supply conditions have been crucial in changing global market conditions for food crops. First, there is the impact of high oil prices, which affect agricultural costs directly because of the significance of energy as an input in the cultivation process itself (through fertiliser and irrigation costs) as well as in transporting food. Across the world, governments have reduced protection and subsidies on agriculture, which means that high costs of energy directly translate into higher costs of cultivation, and therefore higher prices of output. Second, there is the impact of both oil prices and government policies in the US, Europe, Brazil and elsewhere that have promoted bio-fuels as an alternative to petroleum. This has led to significant shifts in acreage as well as use of certain grains. For example, in 2006 the US diverted more than 20 percent of its maize production to the production of ethanol; Brazil used half of its sugarcane production to make bio-fuel, and the European Union used the greater part of its vegetable oil production as well as imported vegetable oils, to make bio-fuel. This has naturally reduced the available land for producing food."

Commodity Stock Positions

One of the most critical aspects of food security is the stock option country is having to mitigate the price volatility and offset speculation. And at the global level the utilization and stock position of different food commodities play a major role in the price movements. From the latest report, the turbulent conditions are prevailing in world cereal markets primarily contributed due to tighter supplies in the global markets. This becomes critical when the demand for food is rising along with feed and industrial use. The cereal stocks had been very low at the start of the 2007-08 season and due to equally low global cereal production was just sufficient to meet expected world utilization. This would have most likely pushed the International prices of cereal fuelling domestic food price inflation in many parts of the world. Inflation also brings in structural changes in the trade polices of countries on a short term thus further contracting the trade. This coupled with soaring freight rates will push the prices further. It is also anticipated that the cereal supply will improve in the coming months as the production will improve in Australia, North America and Europe. (FAO, 2008)

In India, weather conditions for this year's winter wheat crop have been generally favourable and output for 2008 is officially forecast at some 74.8 million tonnes, compared to a near record production of 75.8 million tonnes last year. This year's smaller crop forecast reflects a decline at 500 000 hectares in planted area and unfavourable weather at planting time in some major producing provinces. However, this output is still 6.3 percent above the five year average. Smaller wheat crop is expected in Pakistan this year and production by FAO estimate will be at one million tonnes less than last year's record, reflecting a reduced area due to sowing delays, less availability of irrigation water and high fertilizer prices. However, output could still be 5.3 percent higher than the five-year average. The price of wheat in Pakistan remains lower than in neighbouring countries, so that wheat (flour) is being smuggled out of the country. Domestic food prices are increasing as a result. In case of rice, the production has been weak in Pakistan and the prices have shot drastically in the first quarter of 2008.

In Sri Lanka, the country's food security continues to be affected by the resurgence of civil conflict, natural disasters (recent floods), as well as rising cereal prices. Since the beginning of 2008, more than 2,500 people have reportedly been killed in fighting and the security situation has deteriorated. Rice and wheat flour prices in March 2008 in Colombo city were higher by 77 percent and 72 percent, respectively, compared to the same period in 2007.

Food Prices and International Trade

Most policymakers see the rise in prices as direct reflection of the international price movement as the reverse trend is precipitated if imports surge arises below the domestic prices. The studies by FAO forecast that world trade in cereals is set to slightly increase over the last year as the sharp increase in imports of coarse grains is expected to more than offset decline in wheat and rice trade. Most countries under these circumstance are going to regulate trade options like the export ban which will contract trade which will push the international prices further up. Another important reason for the low trade is anticipated increase in production this year. In many

countries with import tariff schemes in place, most have lowered or suspended their tariffs in order to dampen the impact of high world prices on domestic consumers. However, several countries are expected to increase their imports such as Morocco where a severe drought reduced wheat production last year, or in Pakistan where, in spite of higher production, large imports are needed due to significant cross-border exports earlier in the season. For many countries, the costly food imports are going to further erode the trade deficit and adding to miseries to the net food importing countries.

The current food crisis comes at a time when countries like India are in high growth stage of development trying to rope in huge capital in investment for development and looking forward to an agri-business revolution. The prolonged agrarian crisis in many parts of the developing world especially India has shifted in acreage from food crops to cash crops relying on purchased inputs; the excessive use of groundwater and inadequate attention to preserving or regenerating land and soil quality; the lack of attention to relevant agricultural research and extension; the overuse of chemical inputs that have long-run implications for both safety and productivity; the ecological implications of both pollution and climate change, including desertification and loss of cultivable land. The surge in major agricultural commodities comes at a time when there is heightened awareness about risks associated with global warming and climate change. Interestingly, there seems to be a close interlinkage between climate change and the food prices rise. In times to come, it is also anticipated that there is going to be increased variability in temperature and higher incidences of flood and drought which is going to have implication on the production process which can further push the prices up. Acute weather vagaries will bring greater fluctuation in crop yield, and uncertain prospects of production, supplies and of course prices. Thus perceiving the trade solution to the current food price may not be sufficient but will need collective effort combining climate change mitigation effort along with trade.

Volatility in Food Prices: Futures Caused the Market Manipulation

By Krishan Bir Chaudhary

It is generally understood that futures trading in agricultural commodities will help in bringing price certainty. The Government of India in 2003-04 had initiated major steps towards introduction of futures trading in commodities, which included removal of prohibition on futures trading in all the commodities by issue of a notification and setting up of the National Level Commodity Exchanges. The momentum gathered in 2003-04 continued in 2004-05 and manifested itself in increases in volumes, participation, number of commodities traded and various new initiatives taken by the National Exchanges. The major agricultural commodities traded at these exchanges were soya oil, guar seed, guar gum, chana, jute, rubber, pepper, turmeric, wheat, kapas (cotton) etc. These exchanges have introduced various innovations which would increase efficiency of agricultural marketing in the country. However, on account of speculative trading and impact of prices of essential commodities, futures trading in wheat, rice and pulses like tur and urad has been suspended by the Forward Markets Commission as it caused market manipulation, leading to a rise in prices. But, still, a future trading is being carried out in a number of agricultural commodities.

The recent initiatives on part of Finance Minister P Chidambaram is testimony to the fact that futures trading in farm commodities could be the major cause for market manipulation. Presenting his Budget 2008-09, he slapped a commodities transaction tax (CTT) on options and futures on the lines of the existing securities transaction tax. "The commodity futures have come of age in the country and should be treated at par with the equity market," he had said. Chidambaram also brought the commodity futures exchanges in the ambit of service tax. These measures were aimed at curbing manipulation.

It must be borne in mind that the government's move is only a piecemeal approach although it is increasingly realising the damage incurred by futures trading in agricultural commodities. As a corrective measure it should act fast to stump the problem in the bud by banning futures trading in all agricultural products. **There is a wrong notion that the farmers are benefiting from the existing futures trading in the country. The farmers get the lowest price for their produce in the season at harvest and, thereafter, the produce passes into the hands of traders and corporate houses that manipulate high prices for commodities in the futures markets. Farmers have no opportunity to**

participate in this.

The Economic Survey 2007-08 clearly says: "Direct participation of farmers in the commodity futures market is somewhat difficult at this stage as the large lot size, daily margining and high membership fees – work as a deterrent to farmers' participation in these markets. Farmers can directly benefit from the futures market if institutions are allowed to act as aggregators on behalf of the farmers."

Farmers have no time to participate directly in the futures market. They have to prepare the field after harvest for the next crop. The concept that institutions or corporate houses should act as aggregators on behalf of farmers amounts to leaving the peasants at the mercy of these marketing giants.

The government has now gone into a panic mode as inflation, as measured by the point-to-point movement of the wholesale price index, reached a 40-month high at 7% for the week ended March 22, 2008. Yet, it is not totally critical about the neo-liberal architecture of the Economy that it has imposed upon the nation. It is taking a piecemeal approach like banning exports and liberalising imports of certain commodities. It is time the government rejected this neo-liberal and corporate-led agriculture model and replaced it by a farmer-centric one.

There is no shortage of food either at the global or at the domestic level. According to a recent report of the International Grain Council (IGC), the world wheat production would be at 646 million tonne (mt), an increase of 42 mt over the previous year, due to a 2.5% increase in the area under cultivation. The global prices of maize were around $240 a tonne by March 27. The IGC forecasts global maize output to decline by 20 mt to 748 mt. Barley output would increase 10% to 148 mt.

According to the official estimate, India has achieved record grain production of 219.32 mt in 2007-08, including 94.08 mt of rice, 74.81 mt of wheat, 36.09 mt of coarse cereals, and 14.34 mt of pulses. The cotton output is estimated at 23.38 million bales of 170 kg each, an all-time record. The oilseeds output is estimated at 27.16 mt.

Despite the good production, there is a deliberate manipulation of food prices both at the global and at the domestic levels. At the global level, there are a few corporate players in the food business that buy produce from farmers cheap, hoard the stock and manipulate the prices. The bio-fuel programme in Europe and the US is also a contributing factor to price rise.

In India, too, the corporate houses and retail chains have been allowed to buy produce from farmers, hoard and manipulate the market. The farmers do not gain in the process as they are paid relatively lower prices than what the corporate houses quote on the futures exchanges or in the spot market, or at what the retail chains sell to the consumers.

Getting Out of the Food Crisis

While there has been widespread reporting of the riots that have broken out around the world as a result of the global food crisis, little attention has been paid to the way forward. The solution is a radical shift in power away from the international financial institutions and global development agencies, so that small-scale farmers, still responsible for most food consumed throughout the world, set agricultural policy. Three interrelated issues need to be tackled: land, markets and farming itself.

In March 2008, the United Nations Food and Agriculture Organisation (FAO) and other international agencies began talking openly about a global food crisis. As with many such crises, they were a little late. Food prices - especially for cereals, but also for dairy and meat - had been rising throughout 2007, markedly out of step with people's incomes. People had coped by changing their eating habits, which included cutting back on meals, and had taken to the streets to demand government action. By early 2008 grain prices were surging and riots had broken out in nearly 40 countries, instilling fear among the world's political elites.

A few months have now passed since the global food crisis was put on the world agenda. The causes of the problem have been identified and more or less understood. Yet the food crisis is still unfolding. Prices are continuing to climb, a whole class of "new poor" has emerged, governments are scrambling to find or manage grain supplies, and the eruption of another major setback could provoke a really dramatic world crisis.

Everyone agrees that something needs to be done but there is vast disagreement as to what this implies. The policy priests at the World Bank, the World Trade Organisation and the International Monetary Fund, the corporate boards of directors and, indeed, most governments and their teams of advisers want us to continue on the course of industrialising agriculture and liberalising trade and investment, even though this

recipe just promises more of the same in the future.

Social movements and others who have been fighting the injustices of today's capitalist model see things differently. For them, it is now time to break with the past, to mobilise around a new, creative vision that will bring not only short-term remedies, but also the kind of profound change that will actually get us out of this food crisis - and, indeed, the unending series of crises (climate change, environmental destruction, poverty, conflicts over land and water, migration, and so on) that neoliberal globalisation generates.

Radical transformation

Many people are becoming aware that no solution is possible unless we open the doors to a real shift in power. The policymakers, scientists and investors who have led us into the current mess cannot be relied upon to get us out of it... Those in power seem capable of only knee-jerk responses that amount to more of the same: more trade liberalisation, more fertilisers, more GMOs and more debt to make it all possible. The very notion of, say, rewriting the rules of the finance system or clamping down on speculators are taboo topics. Even the food self-sufficiency policies being adopted in some developing countries, in themselves a very good idea, often repeat failed Green Revolution strategies.

More disturbing, the political and business elites don't want to face the fact that, whether you are a working-class homeowner in the US or a mother queuing for rice in the Philippines, confidence in the market has been shattered. Farmers in Thailand are stupefied. Last year they were getting US$308 per tonne of rice delivered to the mills. Today they're paid US$296, even though the price of rice to the consumers has tripled! The US dollar (still a global currency for food trade) has plunged, while the price of oil (on which industrial food production depends) has gone through the roof. Governments have started taking food out of the market, as they simply don't trust the way food is being valued any more. The government of Malaysia, for instance, has announced that it will bilaterally swap palm oil for rice with any nation willing to make the deal, while several other countries have banned the export of food.

Against this backdrop of bankrupt ideas and systems, there is no other credible way forward than to rebuild from the bottom up. That means turning the whole thing over: small farmers, still responsible for most food produced, should be the ones setting agricultural policy, rather than the WTO, the IMF, the World Bank or governments. Peasant organisations and their allies have clear, viable ideas about how to organise production and services and how to run markets and even regional and international trade. Ditto for labour unions and the urban poor, who have an important role to play in defining food policy. Many groups, such as the National Farmers' Union in Canada, the Confédération Paysanne in France, ROPPA in West Africa, Monlar in Sri Lanka and the MST in Brazil, have issued strong calls to revamp agricultural policy and markets. International organisations, such as Via Campesina and the International Union of Food Workers, are also ready to play a role.

Urgent action points

Three interrelated issues need to be tackled to get us out of the food crisis: land, markets and farming itself.

Access to land by peasant farmers is clearly central. With the surge in commodity prices and the new market for agrofuels, land speculation and land grabbing are occurring on a horrific scale. In many parts of the world, governments and corporations are installing plantation agriculture, displacing peasants and local food production in the process. Indeed, the model of export-led agriculture and import dependency at the root of today's crisis is going into overdrive, destroying the very systems of food production that we need to get out of our present dilemma.

Land has, of course, always been a central demand from social movements, particularly for peasants, fisherfolk, rural workers and indigenous peoples. Agrarian reform tops the list of measures urgently needed to put an end to the growing plague of rural poverty and to empower people to feed themselves and their communities, reversing the explosion of urban slums that is so central to this food crisis. It is high time that the proposals from the peasant organisations are taken seriously and implemented.

Another major issue in dire need of attention is how to deal with the market. For decades, neo-liberal trade liberalisation and structural adjustment policies have been imposed on poor countries by the World Bank and the IMF. These policy prescriptions were reinforced with the establishment of the WTO in the mid-1990s and, more recently, through a barrage of bilateral free trade and investment agreements. **Together with a series of other measures, they have led to the ruthless dismantling of tariffs and other tools that developing countries had created to protect local agricultural production. These countries have been forced to open their markets to global agribusiness and subsidised food exported from rich countries. In that process, fertile lands have been diverted away from serving local food markets to producing global commodities or off-season and high-value**

crops for western supermarkets, turning many poor countries into net importers of food.

One of the more obscene aspects of the food crisis is the spectacular profits that the market has allowed big agribusiness and speculators to make from it. Contrary to the impression conveyed by some in media, few farmers are seeing any benefits from the price hikes. Corporations, on the other hand, are making record profits at every link in the food chain - from fertilisers and seeds to transport and trading. **Earlier this year, GRAIN documented the 2007 profit increases of the major food and fertiliser corporations. In the first quarter of 2008, while many hungry people were further cutting back on the amount of food they eat, the major food and fertiliser companies were reporting even more spectacular profit increases.**

At the same time, massive speculation is occurring. According to a leading commodities broker, the amount of speculative money in commodities futures has risen from US$5 billion in 2000 to US$175 billion in 2007. Half the wheat now traded on the Chicago commodities exchange is controlled by investment funds. At the Agricultural Futures Exchange of Thailand, speculation on rice has, within one year, tripled the average number of contracts traded daily on the exchange, with hedge funds and other speculators now representing up to half of the daily contracts being traded.

All of this speculative activity from pension funds, hedge funds and the like, plus the shifting of commodity trade from formal exchange markets to direct over-the-counter deals, is sending prices soaring. Such a bubble is inherently unstable and bound to burst, with unpredictable results. With few exceptions, governments and international agencies are hardly talking about this part of the food crisis equation, let alone doing anything effective to deal with it.

In contrast, trade unions and farmers' organisations have been vigorously calling for proper regulation and controls, particularly since producers and consumers are the groups most affected by it all. Calls by social movements for food sovereignty invariably include urgent proposals for priority to be given to local and regional markets and for measures to be taken to reduce the dominance of international markets and the corporations controlling them....

Then there is the issue of farming itself. The food crisis has galvanised the voices of the old Green Revolution into calling for more of the same top-down packages of seeds, fertiliser and agrochemicals. Since the main reason why the food crisis is hurting so many people is their inability to pay today's high prices, simply boosting production is not necessarily going to resolve anything, especially if this means driving up the costs of production. The high-yielding varieties of staple foods that the Consultative Group on International Agricultural Research, the FAO and most agricultural ministries are so enthusiastic about require more petroleum-based fertilisers and other chemicals, all of which have undergone huge price increases that effectively put them out of reach of many farmers. In any case, chemical fertilisers are one of the main sources of the greenhouse gases produced by agriculture. Throwing even more of them at already exhausted soils, as many Green Revolutionaries are now advocating, would merely push the world deeper into climate chaos and further destroy the life of the soils.

Here again, there is a vast array of solid proposals and experiences for moving towards farming methods that are productive, non-petroleum based, and under the control of small farmers. Scientific studies have shown that these methods can be more productive than industrial farming, and that they are more sustainable. If they are properly supported, such local farming systems, based on indigenous knowledge, focused on maintaining healthy, fertile soil, and organised around a broad use of locally available biodiversity, show us ways out of the food crisis. To build on these, one has to stop relying on the experts and start talking instead to local communities. One would need not only to build new strategies and to collaborate with different players, but also to put an end to the criminalisation of diversity so that farmers can freely access, develop and exchange seeds and experiences. It would mean, too, that governments stop promoting agribusiness and export markets, and start protecting and celebrating the skills, knowledge and capacities of their own people.

Time to mobilise

It is clear that those of us outside governments and the corporate sector need to come together as never before to build new solidarities and fronts of action both to address the immediate problems of the food crisis and to build long-term solutions. If we don't work together to facilitate a power shift that puts first the needs of the rural and urban poor, we will definitely get more "business as usual". Reorienting our agricultures and food systems to make them more just, more ecological and truly effective in feeding people is no easy task, but surely we all have a part to play. Rather than wait or look for ready-made solutions, we need to create those better systems now, collectively.

(Courtesy: GRAIN's Seedling Magazine, June 2008)

Asian People's Decalaration on the Food Crisis: Secure Food and Livelihoods!

By: Asia-Pacific Network for Food Sovereignty (APNFS)

Introduction

The global rise in food prices is felt acutely in the Asia-Pacific region, with greater impact on net food importing countries. Food prices have increased sharply since 2005 but have surged dramatically since 2007, led by the dairy sector registering an 80% price hike, followed by oil at 50% and grains 42%. In more recent months the price spikes have been more pronounced in grains and oil. In the Philippines, rice price rose to 72% since January this year, while in Pakistan wheat price rose to 66% since January 2007, and the price of rice basmati rose from Rupees 60/ kilo in June 2007 to Rs 110/kilogram in May 2008.

In Indonesia, the price of cooking oil doubled from 6,000 to 12,000 rupiah per kilogram and tofu price increased by 50%. In India, the price of milk increased 11% more than last year and edible oil prices soared to 40% over the same period.

With as much as 40% to 75% of the population in these countries subsisting on less than US $ 2 per day, the upward spiral in food prices has meant huge reduction in the poor's welfare and exacerbated food insecurity of a growing proportion of their population. Moreover, as evidenced by the sporadic protests induced by the rising food prices, the situation may yet lead to greater social and political instabilities in many countries in the region.

Food Crisis and Trade Liberalization

Many analysts have pointed to the sluggish growth in global food production, vis-à-vis the rapid population growth, compounded by crop failures due to extreme weather-related and climate variability as one of the main reasons for the rise in food prices. Moreover, food production shortfalls have been linked to competing use of land, labor and water, driven by demands from the export market as well as investment priorities particularly in the extractive industries and more recently in the agrofuels market. At the demand side, policy analysts have cited the changing consumption patterns in emerging economies like China and India which saw dramatic increases in consumption of livestock and dairy products that in turn led to the rapid increases of price in feedgrains.

However, what has been missing so far in the analysis of many international institutions such as FAO that have registered their growing concern over the problem are the policies that have contributed to the spiralling prices of food and made developing countries very much vulnerable to global price and supply shocks.

The policies of trade liberalization, privatization and deregulation in agriculture imposed upon developing countries via the structural adjustment policy (SAP) package of the IMF-World Bank and entrenched further through the WTO Agreement on Agriculture have definitely reduced the capacity of these countries to feed their increasing population. In the last two decades or more, most developing countries have abandoned their policy of food self-sufficiency in favor of market-oriented food security and the promotion of agribusiness for exports. This has made them ever more dependent on the international market to meet their domestic food consumption, with serious impacts on their long-term food security and food sovereignty.

As a result of these policies, many Asian countries face the following:

1. **Declining grains stocks- current stocks are at the lowest since 1988**

   The Philippines is the number one rice importer in the world. In the last six years, it has been importing an average of more than 1 million metric tons of rice. Its rice self-sufficiency has been at a low of 88%, in recent years, while before it acceded to the WTO, it had a 98% self-sufficiency. Its rice stock levels remain precariously low at below 20% in the last 3 years.

   In India, wheat and rice stocks have come down over the past three years because of low production and exports.

2. **Declining government support and subsidies in agriculture**

   Agriculture subsidies in the 80's and 90's which had the effect of raising agriculture productivity and outputs of developing countries and led them to achieve remarkable levels of food self-sufficiency have been either reduced or withdrawn in many countries. Indonesia, for example, achieved rice self-sufficiency in 1985 through aggressive domestic support and public spending but was forced to withdraw its fertilizer subsidies in 1997 under IMF supervision causing its rice output to plummet down from 51.9 million metric tons in 1996 to 49.24 million metric tons in 1998.

   Key agriculture support programmes in irrigation and infrastructure had considerably weakened with irrigation development both

in the Philippines and Indonesia halted to their 1985 implementation level. In recent years, only minor repairs have been initiated while no new construction have been made, despite the fact that only half of the total potentially irrigable lands in both countries have been serviced. In Bangladesh, the delivery of irrigation water has been privatized. Credit support and other government incentives likewise have been redirected towards promoting high value commercial crop production in these countries.

3. Increased privatization of agriculture support services and state trading enterprises

The dismantling and privatization of state trading enterprises and food marketing boards had not only led to declining farmgate prices and thus decreased incentives for small farmers to raise their production but also to the rise and consolidation of big agriculture trading monopolies that wield considerable control in domestic trade and production, by controlling price and supply of both farm inputs and output.

Bangladesh has, in the past two years, increased the participation of the private sector in rice production, especially in irrigation and in the production, import and marketing of rice seeds, including hybrids.

Nepal's rice marketing is almost entirely privately run. The Nepal Food Corporation now procures only for distribution in the deficit zones in the hilly and mountainous parts of the country and for reserves.

4. Shift in food policy to agribusiness strategy

Under the 1999-2003 National Guidelines, Indonesia adopted an agriculture development strategy revolving around an agribusiness approach. Similarly, the Philippines government's 10-point agenda for national development has agribusiness promotion as a top priority. The same with Bangladesh, as government seeks to diversify crop production to high-value crops for exports.

Agribusiness Expansion

The agribusiness strategy has been increasingly adopted by most developing and least developed countries in the region, largely facilitated by increased economic integration and trade liberalization. While subsistence and small-scale farming devoted to food production has received minimal public spending, government priorities have turned to promoting and supporting large-scale commercial crop plantations owned and operated by the landowning elite and transnational companies. The emphasis of the agriculture policy has shifted from ensuring adequate supply of food domestically to meeting the demands of the export market. In the Philippines, the most productive lands in Mindanao, which is the country's food basket is devoted to export crops like coconut, oil palm, banana, pineapple, and flowers. Yet, the incidence of hunger and malnutrition is highest in this region. Rice self-sufficiency had dropped from 90 percent in 1995 to 66 percent in 2000. Recently the Philippine government announced that it will target the further development of agribusiness in 2 million hectares of land in Mindanao. Indonesia's agriculture development strategy, which in recent years has revolved around an agribusiness approach has been instrumental in converting lands and state plantations devoted into food crops into oil palm and other crops for exports. Pushed by the recent boom in agrofuels market, millions of hectares of prime forest lands are being cleared for the establishment of oil palm plantations, Similarly, Bangladesh' food and agriculture policy since the 90's have sought the diversification of production away from single crop and the promotion of more profitable and efficient agricultural production system, read: agribusiness.

Driving this shift in policy is the powerful global agriculture/food business, which is next only to the pharmaceutical industry. Even the World Bank in its World Development Report 2008 has noted the powerful role of agribusiness in shaping policies and political affairs. The policies of trade liberalization, deregulation and privatization for the last two decades have enormously strengthened and expanded the powers of agri-food TNCs. At present, only five companies control about 90 percent of global grain trade and only six corporations control ¾ of the global pesticides market. Control of TNCs on the seeds market through patenting and the dissemination of technology packages has enabled these companies to control agriculture production in the South. WTO agreements as well as bilateral trade treaties have enormously expanded the control of TNCs on agriculture and food supply chain.

TNCs have also expanded their investments in export-oriented cash crop production. In the Philippines, for example TNCs like Dole, Del Monte, Japanese Sumitomo, Cargill, etc. are operating large plantations devoted to banana, pineapple, coconut, palm, etc.

Agrofuels and the Food Crisis

The demand for agrofuels and the emerging agrofuels market have boosted the production of fuels from food crops. Commodities like sugar, corn, soya, palm oil, cassava are being grown for production of agrofuel. Moreover the policy environment for biofuel

investments is also pushing demand for these commodities.

In a condition of tightening global food supply worsened by recent drops in global output of major food crops due to droughts and climate-related impacts, the increasing demand for agrofuels will certainly create the environment for rising food prices. Even the Food and Agriculture Organization (FAO) has pointed to the culpability of agrofuels production in the recent rise of food prices.

Both the US and the EU are leading the rapidly escalating global demand for agrofuel use. Their policies for mandatory blending of agrofuel in petrol and tax exemptions for use of renewable resources as fuel as well as the increasing rise in oil prices are all driving the expansion of markets for agrofuel. The US Energy Policy Act of 2005 for example mandated substitution of 7.5 billion gallons of gasoline per year by agrofuels. This has in turn resulted to huge production of corn-based bioethanol of 6 billion gallons in 2006-2007, accounting for about 20% of US corn outputs in 2006 and is targeted to increase further to 9.7 gallons in 2010-2011, representing an estimated 28% of US corn outputs in 2010.

In the EU, the 2003 directive on the promotion of the use of agrofuels in transport set a reference target of 2% agrofuel use in road transport for 2005 and of 5.75% for 2010.

The policy environment in these countries certainly is driving the huge investments in agrofuel plantation and production in the Asia-Pacific region. Similarly developing countries have fashioned their energy policy in line with the global push for agrofuels. In Indonesia, the government has set the target of meeting 17 percent of the country's energy requirements from renewable sources by 2025 and in 2007 it established a National Team for Biofuel Development (TimNas BBN) to develop alternative energy supplies from crops such as palm oil, cassava, jatropha and sugar cane. According to the government's biofuel development strategy, the country expects fresh supplies from a newly opened 750,000 hectares of sugar cane and 1.5 million hectares each of cassava, jatropha and oil palm plantations by 2010.

The Indonesian biofuel policy implies that the land under present palm oil cultivation will expand from the current six million hectares to 20 million hct. by 2020. Surely, this will have tremendous impact on domestic food production, as well as the state of the country's forests and agricultural resources including water. This is extremely worrisome since Indonesia is currently a net importer of soybeans (two million tons), corn (one million tons) and sugar (1.5 million tons). Likewise, the Philippines is a net food importer.

Meanwhile, domestic agribusiness corporations in partnership with TNCs will reap windfall profits from agrofuel production and trade.

Finance markets

The tight supply of food internationally, as well as forecasts of further constricting supply owing to a host of factors including climate change impacts has fueled speculation in agriculture commodity trading. Big domestic traders and exporters have engaged in hoarding to manipulate prices to their advantage. The response of many net food importing countries to replenish their depleted stocks in the face of soaring international prices has also triggered further speculation.

However, the recent surge of investments in agriculture commodities triggered by the debacle in global financial markets that have reduced returns from bonds, equities and other financial assets as compared to commodities has also contributed to the increased volatility of food prices (ADB Paper on Soaring Food Prices, 2008). Meanwhile FAO posited that the abundance of liquidity particularly in emerging economies, coupled with the low interest rates and rising petroleum prices has also led speculators to diversify their portfolio to include agriculture market based derivative trading to get increasing returns from their investments.

The April 17, 2008 tender for rice imports offered by the Philippine government clearly revealed a growing speculation in the international rice trade leading to raising the commodity's spot price volatility. Thus, from an average contract price of US$700/metric ton of rice in mid-March, the Philippine government got offers of more than US$1,100/metric ton, effectively raising the price of rice by 60%. Some analysts have pointed out that the Philippine government's series of tenders have actually drove the international price of rice to its highest level in several years. In the said April tender, six suppliers, including four trading houses, offered to supply a total of 195,000 tons from Thailand. Trading in rice futures is very recent in Thailand.

The food crisis is hitting the poor the hardest.

Asia is home to more than 1 billion poor and near-poor. Food expenditures comprise 60% of the poor's total expenditures in the region. Thus, soaring food prices will considerably reduce their purchasing power, resulting to drastic decline in their food intake as well as reduced expenditures in other basic necessities such as education and health. In the

Philippines, official statistics reveal that 40% of the population fall below the official poverty line, while in Indonesia, 59% of the population are poor. Food shortage and price rise will surely increase the ranks of those in absolute poverty and deepen poverty of low income groups like farmers, settlers, artisanal fishers, indigenous peoples, workers and urban poor. It will likely increase the vulnerability of women and children.

Addressing the Food Crisis From the Perspectives of Poor Farmers, Workers and the Urban Poor

As oil prices continue to soar and as more of the same formula of neo-liberal policies are being peddled by national governments, the WTO and international financial institutions to address the food crisis, there may not be temporary relief in sight particularly for the most affected section of the population. In the Philippines, the government has lifted the tariffs on rice imports and is proposing the removal of the importa quota and privatizing rice importation. Indonesia has lifted its tariffs on soya with disastrous impact on farm prices of domestic soya. In most countries affected by the crisis, food subsidies have been implemented targeting the lowest income groups, while cash have been distributed to a few households.

We believe all these measures will not make the poor less vulnerable to the crisis, instead they may be even counter-productive as the private sector may further tighten their control on grains and food trading and thus, jeopardize the people's access to adequate and affordable food.

We believe that now more than ever, people and governments should recognize and adopt food sovereignty as a guiding policy framework. Protecting small farmer's livelihoods, creating a vibrant local economy based on the linkages of farming with off-farm activities and protecting and promoting agriculture biodiversity will create the conditions to lasting solutions to the food crisis and rural poverty.

In the short-term, we call for the implementation of the following emergency measures:

1. Institute price control on food and basic commodities to avert the further spike in food prices due to continued global food uncertainty and oil price hike;
2. Provide increased and comprehensive subsidies to small rice farmers, including input and credit subsidy and price support this coming planting season;
3. Immediately rehabilitate irrigation systems through a food-for-work scheme and establish post-harvest and marketing facilities in key production areas;
4. Increase wages of workers to recover the depreciation of their current wages due to inflation;
5. Maintain quantitative restrictions or import controls on grains and other food staples;
6. Strengthen regulation of state trading enterprises over domestic and external trade to prohibit transmission of soaring international prices to the domestic market;
7. Investigate and prosecute traders, agribusiness and commodity speculators involved in hoarding and speculating which contributed to the crisis;
8. Stop conversion of lands devoted to food production to other uses like biofuels, commercial crops, real estate, etc.
9. Stop payment of onerous debts by the government to free-up needed resources to finance agriculture support programs to increase productivity.
10. Stop free trade and investment agreements that will further liberalize agriculture markets such as the ASEAN-EU, ASEAN-Japan,
11. Impose a moratorium on countries' national legislation promoting the production and use of biofuels.
12. Promote sustainable and ecological farming.

In the medium-term, there is a need to institute a coherent agricultural and food policy and strategy embedded in a national development strategy that takes into account the strategic role of agriculture in securing food for domestic population and the important linkages of agriculture to rural and broader national development. Food sovereignty should be the over-arching framework of national food policy. Thus, the absolute trade liberalization policy adopted by national governments should be abandoned and agriculture re-oriented from one that is external market-driven to one that seeks to secure first the country's food needs.Public investments in irrigation and infrastructure support should be expanded, along with increased spending in farm input subsidies. Moreover, institutional reforms must be hastened. A comprehensive land and asset reform that grants and secures the poor landless peasants' and indigenous peoples' ownership and claim on their land and natural resources should be completed in the fastest period possible. National and local programs for gender and women empowerment must be in-place. Rural finance mut be made available to poor farmers, instead to agribusiness to encourage more diversified economic activities in the rural areas. Cooperatives or community associations should increasingly take part in the marketing and distribution of commodities and inputs to enable poor farmers to gain greater value from farming and other off-farm ventures. Finally,

scientific, farmer-based and sustainable technologies are needed to raise food production and improve farm productivity as well as promote agro-biodiversity. In the context of worsening impacts of climate change on agriculture, production systems that enhance the environment and protect and conserve soil as well as forest resources should be prioritized.

National governments should review their commitments to the WTO. There should be no new round of multi-lateral trade negotiations until the ills and imbalances of the present international trading regime are dismantled and poorer countries' ability to become food self-sufficient to protect them from further food price and supply volatilities has been regained. The national governments must be able to institute support measures for small farmers without reprise from the WTO and the IMF-WB. Moreover, negotiations for bilateral and regional free trade agreements should be immediately stopped.

We call for the enforcement of international legal instruments protecting the people's basic human rights including their social and economic rights and to work towards a new international trading regulation that will curb developed countries' practice of food dumping, eliminate TNC control on agriculture and food and allow greater flexibility for poorer countries to exercise their right to food sovereignty and food security.

We are committed to mobilizing people's action to bring about these policy changes both nationally and internationally.

The Food Crisis and Global Institutions

By: Alexandra Spieldoch

The food crisis reflects a breakdown in our global food system that threatens to worsen poverty, hunger, climate change, and insecurity. Global institutions and governments are responding, yet their answers are vastly inadequate. For decades, trade and investment liberalization have undermined human rights and the environment. The food crisis should help us to understand that now it is time for a new vision of global cooperation, one that is democratic and accountable to people and the planet.

Doha's Collapse

In July, World Trade Organization Director-General Pascal Lamy organized a mini-Ministerial to complete the Doha Development Round, and couched it as a necessary means to address the food crisis. Not surprisingly, negotiations collapsed over ongoing disagreements about whether WTO members have the right to protect their food security and "livelihoods" (jobs) from import surges. The failed talks signal a growing understanding that trade liberalization has destabilized local food systems and hurt farmers, contributing to both the long-term and short-causes of today's food crisis. This marks a shift from the earlier globalization debates and deserves our attention.

On the other hand, we can't forget that governments are still working behind the scenes to complete the Doha Round. Likewise, they are negotiating free trade agreements at the regional and bilateral levels that go even further than the WTO and could very well worsen the food crisis. Even though the Doha collapse is a signal that the tide is changing, governments haven't yet fully shifted course.

The G8, the World Bank, and the UN

In July, the Group of 8 (G8) released a statement on global food security in July, calling for reinvestment in the agricultural sector. Proposed measures include doubling aid for key food staples in Africa over the next five to ten years, improving infrastructure (roads, irrigation, storage, and distribution), rapid financing to address balance-of-payment difficulties, sustainable food security and biofuels policies, and support for country-led strategies to address climate change. Unfortunately, the G8's credibility is low because they still haven't met their 2005 aid commitments, and these summits aren't binding in any way.

The World Bank's New Deal on Global Food Policy calls for building a safety net and increasing loans for agricultural production and trade liberalization. Unfortunately, the World Bank's investment agenda is largely defined by partnerships with international corporations to expand trade flows rather than to support farmers and promote food sovereignty. In this context, agribusiness groups who control the export markets will gain the most.

In June, the United Nations launched the Interagency Task Force on the Global Food Crisis and released a draft comprehensive framework for action. This task force comprises the UN agencies (including IFAD, WFP, UNCTAD and WHO), the Bretton Woods Institutions, and the WTO. Civil society is pointedly not invited to participate. Its draft comprehensive framework for action rightly recommends immediate steps to provide emergency food assistance, to boost smallholder production, and to adjust trade and taxation rules in support of national priorities. In the longer term, the document recommends measures to ensure sustained growth in food availability through smallholder production, increased social protection

systems, strengthened food security management systems, improved international food markets, and an international consensus on sustainable biofuels.

However, the task force defines "boosting smallholder production" as including World Bank loans for public-private partnerships that pave the way for a more prominent role for agribusiness. The draft framework highlights a stronger role for the Bank and the WTO to help countries boost trade rather than to determine what kind of trade is needed.

The fact that the international financial institutions and wealthier nations recognize the weight of the crisis and have called for urgent responses is a positive sign, yet their various promises are largely rhetorical, thus detracting from the possibility for urgent actions. The institutions are still focused on investment and growth in agriculture based on privatization schemes, deregulation, and trade facilitation. This is exactly the approach that has contributed to many of the problems we are seeing today in the food system; it's likely that this approach will worsen rather than ease the crisis.

A Multilateral Alternative

Perhaps a more promising set of recommendations comes out of the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD), which 58 governments approved in Johannesburg, South Africa in April. This report is the result of a six-year process that involved over 400 authors.

The report is groundbreaking, both in its process and its content. The major donors for the report were the European Union member states, the Commission and the United States. The process gave governments, major research institutions, industry, and civil society equal responsibility in the drafting. The IAASTD drafting was led by the World Bank and included the UN agencies such as UNDP, FAO, UNESCO, and the WHO. It also included scientific experts, researchers and development specialists. The United States, Australia, and Canada were the three countries that expressed reservations with the final executive summary of the report, indicating concerns with some of the specific data as well as the substance. However, they commented on the report and formally recognized its contribution to the global debate. It should be noted that Brazil, China, and India, three countries that are leading much of the growth from the Global South, approved this collective critique that includes recommendations for a radical shift in agricultural policies.

The introduction of the executive summary states that the IAASTD is an "initiative that all governments need to take forward to ensure that agricultural knowledge, science and technology fulfils its potential to meet the development and sustainability goals of the reduction of hunger and poverty, the improvement of rural livelihoods and human health, and facilitating equitable, socially, environmentally and economically sustainable development." The report highlights four issues:

The need to redirect agricultural science and technology to support small scale farmers in developing countries and to counter global warming;

The need to promote innovation, including local knowledge, within farm communities;

The need for massive investment in agriculture, both in physical infrastructure such as irrigation and roads) and non-physical, so-called "soft" infrastructure, such as access to markets and credit provision; and

The need for immediate attention to the growing involvement of women in agriculture in many developing countries.

Many civil society groups, while recognizing that this multi-stakeholder report isn't perfect, have supported its call for a radical change.

Restructuring the global food system

If we are thinking big, we should be envisioning a new structure for the global institutions via the creation of a Global Food Convention, which would be housed at the UN and implemented by an International Commission, working with different stakeholders including civil society and small-scale farmers. The Global Food Convention would serve as a legal framework to address food sovereignty and the agricultural dimension of climate change, including binding commitments to be implemented at all levels. Governments would have sovereignty to define their own food and agricultural policies, but would also be held accountable to international human rights, including the Right to Food, and the environment.

A Global Food Convention would prioritize stabilizing international supply and mandate strategic grain reserves for food security at the local, regional and international levels. An agreed-upon mechanism would also need to be put into place to ban commodity speculation and to guarantee a fair price for farmers. A Global Food Convention would mandate that trade and investment rules allow for national policy space (flexibility) for countries to protect their local food systems and to invest in small-scale agriculture. It would also establish multi-stakeholder participation, including that of farmers, to develop multilateral and national investment programs that promote rather than undermine small-scale farming. Lastly, a Global Food Convention would bind international economic policies to international human rights and environmental norms, including the right to eat.

Realizing this kind of vision is no small task, but in the midst of the global food crisis, there is every reason to try. The burning question now is whether there is political will to do so. It's time to find out.

Green Group Takes Government Agency to Court for Leasing City's Lakes

By: Deepti Chaudhary

Bangalore: An activist group has filed a case against a government agency's decision to lease out 12 lakes here to real estate developers and hoteliers, bringing to the forefront issues related to the ownership and maintenance of public spaces across the country.

The case, a public interest litigation (PIL), has been filed in the Karnataka high court by the Environment Support Group, or ESG, against the Lake Development Authority (LDA), which was set up in 2002 to maintain Bangalore's lakes.

Construction work on the banks of Hebbal Lake for an upcoming floating restaurant. Since then it has leased out three lakes for 15 years each: the Nagawara Lake to Lumbini Gardens Ltd in 2004, the Hebbal Lake to East India Hotels Ltd that runs the Oberoi chain of hotels in 2006, and the Agara Lake to Biota Natural Systems (India) Pvt. Ltd in 2007.

Leo Saldanha, ESG's founder, filed the petition after LDA said it would lease out 12 more lakes. "Lakes and tanks are public spaces. They are the property of the state government; therefore the power to lease is also available only to the state government."

His argument is that LDA was set up to maintain the lakes, not lease them out.

ESG's petition urged the court to cancel the leases, saying the companies they have been leased out to are profit- making entities that intend to turn the lakes into recreational zones, where people will be charged for entry.

According to a report of the expert committee for preservation and restoration of tanks and lakes in Bangalore metropolitan area, the number of lakes in the city has fallen to 81 now from 262 in 1960.

"In a city like Bangalore, where do you go for a walk? There are no beaches here, only the lakes are available. Now even that option has been taken away. LDA's job was to preserve lakes, not sell them… this is a height of exploitation," says Jerome Jaykar, former commissioner of Bangalore Development Authority (BDA).

Jaykar says the city, with its burgeoning population, needs its natural resources.

Interestingly, both Hebbal and Nagawara lakes were restored a few years ago, with weeds and silt removed at a cost of almost Rs 8 crore funded out of public money.

ESG's Saldanha says whenever a lake has been rehabilitated in the city, it has been passed off to a corporate under the guise of rehabilitation, restoration and maintenance. He says multinational companies, which have offices near the tanks, want to take over a part of the zone, often under the guise of taking care of it.

The LDA, on the other hand, says unnecessary hue and cry is being created regarding the move. "We are not privatizing the lakes. We are giving out lakes and tanks on operation and management lease only," says LDA chief executive C.S. Vedant.

Vedant says LDA is leasing out the lakes because the government does not have the infrastructure, manpower or the money to take care of them. He refused to answer any further questions.

Gopalkrishna Raju, director at Lumbini Gardens that has leased the Nagawara Lake, says, "Before we initiated our project on the Nagawara Lake, the place was a dump. Now, this place is brimming with families." Lumbini charges an entry fee of Rs20 on week days and Rs30 on weekends.

Environmentalists say the privatization of lakes will adversely effect their biodiversity. Experts also say that with 90% of Bangalore's lakes already threatened with extinction, it will be difficult for the "city of lakes" to preserve its identity for much longer if entrepreneurs continue acquiring them.

Struggle for the Right to Employment

Official hostility to social audits of the rural employment guarantee scheme takes an ugly trun in Jharkhand.

The National Rural Employment Guarantee Act (NREGA) promised the empowerment of the rural masses to demand work as a constitutional right, a ban on contractors and capital-intensive machinery for carrying out works, administrative transparency and, most importantly, people's right to carry out open social audits. But the contractor-official nexus, incensed by the National Rural Empoloyment Guarantee Scheme's (NREGS) emphasis on people's rights to demand accountability from such a powerful lobby, has resorted to violence and intimidation. In Jharkhand, this has led to two murders and one suicide in the past three months alone.

On May 14, Lalit Mehta, an activist of the Vikas Sahyog Kendra, was murdered in the Kandra forest a day before a major social auidt that he was working on was to take place. Instead of tracking down his killers, the Palamau police and the district administration made every effort to discredit Mehta's colleagues and the social audits they had done, describing the exercise as a deliberate effort to malign the state government.

On June 7, another NREGS activist, Kameshwar Yadav, active in exposing official irregularities, was gunned down in Giridh district. Then on July 8, a tribal, Tapas Soren, impoverished by the persistent demands of local officials for bribes and unable to deal with the injustice of it all, committed self-immolation. Local officials constantly demanded bribes to let him have the money sanctioned for a well on his land under the NREGS. Forced to meet their demands, he was unable to pay the workers who were constructing the well, many of them his neighbours and relatives.

The chief implementing agency under the NREGA is the gram panchayat. However, Jharkhand has not had panchayat elections since 1992, leaving the arena free for vested interests to control the local administration. It is ironical that a scheme that seeks to empower the people participating in it is being implemented in the absence of this most basic level of local self-governance.

A number of social audit surveys of NREGS works carried out by non-governmental organisations reveal certain similarities. Where the vested interests are firmly in control of the local administration, there are instances of demands for exorbitant bribes for making job cards, attempts to force dalits out of the scheme, bogus registration on the muster rolls, and intimidation of people's groups demanding accountability. Where the local administration has been open to the idea of allowing civil rights groups monitoring the scheme, this has ensured much less corruption. The conduct of social audits of the scheme by NGOs, besides educating the people about the scheme itself, has helped enhance the awareness of villagers of their rights under the scheme.

The NREGA gives the union ministry of rural development wide powers to frame rules, investigate complaints and take action. However, the ministry has so far failed to take advantage of these powers and expects the states to follow its operational guidelines. Since there is no clarity on the legal standing of these guidelines, lethargic state governments usually ignore them. A report of the Comptroller and Auditor General (CAG) found that many states have failed to put in place dedicated administrative and technical support for the NREGS at the district, block and gram panchayat levels, leaving its implementation to departments a lready burdened by other duties. The report also found that many of the gram panchayats in a number of states failed to prepare annual plans, which besides adversely affecting the ability to meet the demand for employment under the scheme, also infringed the rights of the gram sabhas and the panchayats to participate in the planning of works needed for a particular area.

The CAG report, the experience of NREGS activists and the tardy pace of police investigation into the violence against people's groups seeking to undertake social audits on worksites are a clear indication that the bureaucracy is hostile towards the idea of being accountable to those they are supposed to serve. Further, the gram sabhas and panchayats are yet to realise the pivotal role they must play in the implementation of the scheme. Clearly, while the NREGA has set certain standards for people's participation in the implementation of the NREGS, it is only through concerted people's struggles that these standards will get translated into rights that can be won.

Troubled Partnerships in Healthcare Sector

By: Laura Keenan

Markets and partnerships can be effective only when there are strong and enforceable regulations, meaningful competition, and an informed consumer base. These are rare in rural India.

With less than one per cent of the Gross Domestic Product (GDP) invested in public healthcare provision, India is currently one of the world's most privatised health economies. It is a country which is home to one-fifth of the world's diseases, where the regular level of malnourished children is higher than that of sub-Saharan Africa, and with higher rates of anaemia and maternal under-nourishment. The buzzwords inscribed into current government policy, includi ng the Eleventh Five Year Plan, are Public Private Partnerships (PPPs) — contracting out, franchising, voucher schemes, subsidies. However, even proponents of PPPs in more developed states are suspicious of their application in emerging economies where there are high proportions of people living on or below the poverty line who have never experienced healthcare as a contractual, democratic right. Solid investment, motivated and well-paid staff, established and integrated audit and regulatory systems, excellent political communications, citizens who expect well-performing public services — without these as a starting point, can marketisation realistically be expected to create equitable and sustainable delivery of essential services like healthcare?

Government policy — including the National Rural Health Mission (NRHM) — does not presently make clear whether PPPs may be developed along the lines of further privatisation of resident public health services or, alternatively, public funding for the existing private health sector. Experience has shown that both of these routes frequently translate into demands for payment from service users, and in particular from those in the poorest districts.

It is of real concern, therefore, that the supposedly "pro-poor" NRHM places an emphasis on user fees as a potential generator of income. Time and time again, research has demonstrated that charging for essential services decreases usage and disproportionately affects the poorest sections of society — with or without compensatory "accountability measures" such as subsidies, exemption cards, and voucher schemes. INSAAF International brought out a report in 2002 which cited cases of patients in Punjab being ejected from public hospitals when they lacked the resources to cover the costs; exemption cards were repeatedly not issued to those entitled to them, and only one out of 150 women in the slums of Bhatinda, a city of 2,70,000 people, had even heard about the cards. Reports suggested a 20-40 per cent reduction in outpatient cases. The alternative — and it is the only alternative for those without access to any form of direct cash — is not seeking treatment or medicines, a decision which has ramifications for India's disappointing performance in curbing the spread of communicable diseases.

According to the Universal Declaration of Human Rights (UDHR), every citizen has the right to social security (Article 22). Access to such provisions, however, proves to be difficult for those in the rural or unorganised sectors — who currently account for around 90 per cent of India's population. More often than not, it is those who live closest to subsistence level who dig into their pockets to make direct payments for essential healthcare services. Private expenditure forms more than 80 per cent of the total outgoings on health in the country; the vast majority of this is out-of-pocket, and the second most common cause of debt in rural India is healthcare provision. Nearly half of the households that are in debt or have been forced to sell off assets have done so to finance hospital expenditure. This is a vicious cycle, where expenditure on healthcare creates poverty, which contributes to malnourishment, decreases economic productivity and perpetuates further ill-health.

As a point of contrast, public financing of health in China, Malaysia, and Sri Lanka is between 30 per cent and 60 per cent. In lower income Sri Lanka, almost everyone now lives less than 1.5 km from the nearest health centre. In Europe, average levels of public sector investment are near 75 per cent; they are 85 per cent in Britain. Of all the developed nations, the United States channels the least public resources into healthcare. Here, one in three citizens living below the poverty line is without health insurance; according to the Institute of Medicine, 18, 000 Americans die prematurely each year because of this deficiency, whilst the country has a higher Infant Mortality Rate than many other industrialised nations. And the system is also incredibly inefficient: the U.S. spends more on health both on a per capita basis and as a proportion of GDP than any other country. When China moved from public to private investment in health, household health costs rose 40-fold; at present, health insurance covers only one in five of those living in rural

China.

Markets and partnerships can be effective when there are strong and enforceable regulations (and somebody to enforce them), meaningful competition, and an informed consumer base. It is rare that these exist in rural India. Even in the cities, lack of regulation in the private sector impacts upon the wealthy as well as the poor: in some private hospitals in Mumbai it has been estimated that 65 per cent of births are delivered by caesarean, an operation which demands more costly surgical procedures and substantive aftercare. Deliveries by caesarean are only around nine per cent in the public hospitals. Without effective oversight mechanisms, it is easy to mislead patients into buying unnecessary or more expensive services and medicines — especially when, as in many rural areas, patients do not have a choice of provider.

In the ideal situation, collaboration between providers allows sharing and redistribution of resources. This is incompatible with a competitive health economy, where providers must market themselves to attract the most profitable patients or, alternatively, government investment.

Different needs

Seventy per cent of India's population is rural; 300 million live below or on the poverty line. Their needs are for cheap, scientific alternatives, and not the latest, most financially lucrative medical technologies. Up to one in three doctors' posts remains vacant in rural India; of those filled, around two thirds may be absent at any given time. There is one bed for 6,000 people, Public Health Centres (PHCs) often are closed, and, according to the Indian Institute for Population Sciences, just 20 per cent have a phone and only 12 per cent undergo "regular maintenance." In some States, the majority has no electricity. The government promised to increase allocations to health by 30 per cent between 2006 and 2007. Reports suggest that this target has not been met, and that increases have only been channelled into particular projects, selective interventions, and targeting of diseases — not into strengthening infrastructure and widening access.

Proponents of PPPs would argue that partnership can resolve these issues: the government works to instil a public sector ethos, the private sector focuses on efficient service delivery and meeting targets. According to the Working Group on Public Private Partnership for the Eleventh Five Year Plan, "partnership is not meant to be a substitution for lesser provisioning of government resources nor an abdication of government responsibility, but a tool for augmenting the public health system."

Generally, however, initiatives to form PPPs around the world have been implemented at a time of crisis when state funding for the healthcare sector needed to be reduced, not when the starting point is a 0.9 per cent level of investment. In India, it is difficult to see what "public health system" or ethos can be harnessed.

Strategic state investment in health systems can enable a holistic approach to healthcare, providing access without barriers to a multi-sectoral range of services that incorporate health promotion, disease prevention, diagnoses and rehabilitation. PPPs can be effective in "augmenting" such a system when there is an equal-footed public partner, mutual trust and extremely well-functioning regulatory and audit systems. At present, there is not even an operational accreditation body for medical providers.

Ultimately, private partnerships cannot be an alternative to adequate government investment, and it must remain the obligation of the state to ensure access to treatment for every citizen; this is not something that the market can be relied upon to provide. In the interim, there are preliminary measures that the national government needs to take before wider implementation of any partnership initiatives — and particularly in the poorest States where commercial schemes will struggle to generate profits. There must be a set of guidelines, parameters and standards with clearly defined roles for different agencies; the framework provided by the Indian Public Health Standards should be extended to the private sector, and there must also be effective audit, review and accreditation procedures.

Until this basic infrastructure is in place, the cure could well be worse than the disease.

(Courtesy: The Hindu)

Dr. Vineeta Gupta

The World Bank (WB) is privatizing healthcare in Third World countries by funding commercial projects in the name of poverty alleviation. India is an excellent example of this trend. The Punjab Health Systems Corporation (PHSC), a parastatal financed by the World Bank, is facilitating the commercialization of healthcare in Punjab. The result, however, is more expensive and less accessible healthcare for the poor, parallel health infrastructure, and increased corruption.

Key problems with the World Bank Group's work in Health

Problems that have been identified with the World Bank's work in the health sector include, among others:

- The WB promotes healthcare as a commercial activity, thus advancing the underlying philosophy that those without money will not receive treatment. This results in a denial of the right to health and undermines the state's responsibility in providing basic healthcare to its citizens.
- The poor and women are hit worse by the increased costs of treatment. This often forces them to depend on quacks and superstitious methods of treating their medical problems. Though banned by the courts, "quacks" (unqualified medical practitioners, most of them totally illiterate) flourish in India because medical treatment is unaffordable for common people. Quack practitioners can undermine healthcare, by spreading communicable diseases like AIDS and Hepatitis-B, and will often provide inadequate guidance on the use of drugs, thus increasing drug resistance.
- Provisions to facilitate healthcare access for the poor are often designed in a way make it difficult for people to take advantage of the services. For example, in parts of India the poor require a government-issued 'yellow card' in order to access certain benefits. However, actually getting this card is extremely difficult.
- Under WB health corporation projects, costs by component and categories of expenditure are allocated in such a manner that non-medical items, like furniture, are prioritized over lifesaving drugs.
- There is a lack of accountability and transparency as to the functioning of WB-funded health corporations, and this encourages certain kinds of fraud and corruption. For instance, certain kinds of medical supplies lend themselves to accounting fraud during the purchasing process. These supplies are sometimes bought not because they are needed but because they are a source of corrupt revenue for corporation employees. As a result, supplies do not correspond with demand. There are numerous well publicized reports where disposable syringes are supplied without any injectable medicines; surgeons' disposable masks and caps are supplied to centers with no surgical facility. Intravenous (I.V.) infusion sets are supplied without any I.V. fluids; lab chemicals are supplied to centers with no laboratory; X-Ray machines are installed at many places without any radiographer to use them; and medical goods that are nearly expired are purchased in much greater quantity than are required.
- Huge WB loans often lead to increased corruption since there is a lack of concern for the utilization of the loan. A corruption scam at Sangrur in Punjab provides a good example. The WB funded a $US600 million Reproductive and Child Health (RCH) Project, which fell victim to the siphoning off of funds by individuals within the project.
- World Bank funded healthcare projects often suffer from poor management because the problems of the previously state-run health services are not addressed. Instead, every failure is deliberately attributed to the lack of funds.
- The WB's funding for parastatal healthcare corporations that operate in parallel to state institutions is the source of great confusion for disadvantaged as well as common consumers. The same set of bureaucrats in charge of previous systems head these corporations. In Punjab this has created confusion among healthcare providers and recipients as to the division of responsibility between the state health department and the corporation for service delivery.
- In an attempt to increase profits, health personnel are pressured with monthly targets and the fear of punishment if they fail to meet them. This results in malpractice, as the doctors try to achieve targets by hook or by crook.. In a recent move, the Punjab corporation doctors were allotted a minimum number of major and minor operations to be performed, plasters (for fractures of bones) to be cast, patients to be admitted, and invasive tests to be done.
- Bank lending may result in increased state debt without generating any positive outcome. Ordinary people end up paying this back through a further decrease in spending on health, education and

public services. More debt means more cuts in subsidies for basic services, more out-sourcing of public services and huge increases in fees in educational institutions. The result is that people's social and economic rights are undermined and the state increasingly absolves itself of responsibility towards its citizens.

- The Bank also uses its lending in some sectors as leverage to dictate policies in other sectors. For example, the World Bank approved India's US$272 million integrated rural water supply and environmental sanitation project in 1995. When the government made the unrelated announcement that it intended to provide free electricity to certain farmers, the WB stalled the aforementioned project in order to influence the government's electricity related announcement.

Conclusion:

Not only does the World Bank financed privatization of the healthcare system undermine healthcare provision to marginalized populations, but the projects also serve to increase the overall levels of indebtedness. This results in the states growing subjugation to the dictates of international financial institutions who use their leverage to influence an expanding range of sectors.

Tracing Privatisation of Healthcare in India

By: Ravi Duggal

India has always had a very large private health sector, especially for ambulatory healthcare services. This includes providers of modern medicine as well as traditional practitioners. Hospital services until the mid-`70s were predominantly in the public domain. Medical education was almost a public monopoly till the late eighties. The private sector grew rapidly post-`80s, but even today 75 per cent of outturn of medical graduates is from public medical schools.

The medical schools contributed significantly to the growth of the private sector since on an average 80 per cent of the medical graduates entered private practice or migrated abroad.

Post mid-70s, the State provided various incentives like concessional land, tax-breaks and duty exemptions for imports for setting up of private hospitals. The private pharmaceutical industry also received substantial State patronage for its growth through process patent laws, subsidised bulk drugs from public sector companies and protection from MNCs.

While constitutionally the Indian State was committed to providing healthcare to its citizens via the Directive Principles of State Policy, provision of healthcare was not a fundamental right. Through the policy route various healthcare entitlements were created over the years like one primary health centre (PHC) per 30,000 population, one first level referral hospital per five PHCs and one civil hospital per district. But public commitments of resources for healthcare were minimal small and hence public healthcare has remained under-developed.

During the `80s, the public health spending peaked and this was reflected in major health infrastructure expansion in rural India via the Minimum Needs Programme. In fact, the entitlements mentioned above were achieved during the ’80s in most states. However, in the `90s, the public health sector was woefully neglected with new public investments being virtually stopped and expenditures declining.

During the same period, the private health sector, including the hospital sector, expanded rapidly on one hand, and on the other the public health system was being reformed to fit the private model through introduction of user charges and contracting out of services.

Issues and concerns

During the ’90s, the public health system was collapsing due to under-financing of public health services. The structural adjustment and economic reform programmes, which began in 1992 after the 1991-92 fiscal crises, further shrunk resource allocations for public health services. In the mid-’90s, the Fifth Pay Commission added to the catastrophe leading to allocative inefficiencies due to budgetary allocations being sufficient only for financing salaries.

The recovery from this has only been marginal but the introduction of user fees struck the final blow for the poor who are the vast majority of users of public health facilities. The national health surveys provide clear evidence of the declining use of public health services from 60 per cent for hospitalisations in 1986-87 to 45 per cent in 1995-96 and for outpatient care from 26 per cent to 19 per cent during the same period.

The same health surveys also reveal that the rate of hospitalisation as reported in the survey have very strong class gradients with the top quintile reporting

over ten times hospitalisation rates than the bottom quintile.

And this is because of increasing market dependence to seek healthcare that makes the poor postpone attention for medical care. Another evidence of the collapse of public health facilities is from another national survey of public health infrastructure, which reveals in 1999-2000 the critical public health facilities were grossly inadequate. The 2002 National Health Policy acknowledges this severe indictment and recommends that public health investment and expenditures need to be more than doubled in the next five years in order to provide reasonable level of primary healthcare.

But the NHP fails to come up with a plan of action to remedy the existing situation. All this has helped the private health sector to consolidate its position as well as manoeuvre for privatisation of public health facilities. The above trend is in fact a global phenomena and this is well documented in the 2003 Social Watch Report. This report focuses on privatisation of basic services and documents the shift from social contract to private contract for basic services like health, education and water.

World Bank whose 2004 WDR background papers are debunking the government provision model for basic services in favour of private contracts is encouraging this shift. The Social Watch Report declares access to basic services as a human right and advocates for maintaining the social contract for these basic services as social contracts promote equity and universality ensuring a minimum level of access for all.

In India, privatisation of healthcare is taking all forms from divesture (hospitals are being handed over on outright purchase and/or long term leases) to lease contracts (Built Operate and Transfer and Built Own Operate Transfer), to contracting out of services (laundry, diet, diagnostic services, pharmaceutical supplies, private consulting facilitiesand others), to introduction of user fees (user charges for various services in dispensaries and hospitals) and by plain default through neglect of public provision.

This increased private control and marketisation of healthcare are not only going to make access to healthcare for the poor more difficult but also given the complete absence of any regulation of private healthcare and lack of ethical conduct of professionals. It is going to make healthcare like any other economic commodity. And the pharmaceutical industry is the main engine of such growth patterns.

Today the Indian pharmaceutical companies are global players with India being the fourth largest drug producer in the world (by volume), exporting 45 per cent of its total production. In fact, in the 2003-04 Budget, the government had accorded pharma companies a status similar to that of the Information Technology industry in form of special tax rebates. Private health insurance is also waiting on the sidelines but is hesitant to enter the market because of its unregulated nature.

For a country, like India that still faces mass poverty, the situation needs to be radically changed. We need to maintain the social contract paradigm and prevent healthcare becoming fully an economic commodity. There are three imminent things that need to be done. Firstly, the healthcare system needs to be organised into a single, regulated system, which given the prevailing circumstances will have to be an organised public-private mix.

The financing of such a system will have to be through a single payer mechanism which would be an autonomous collective entity which will pool all resources (those who have capacity to pay will pay through payroll taxes/deductions and through insurance premiums and the poor and subsistence population, about 60 per cent in India, will have their premiums paid by the State).

Secondly, the medical profession will have to be reigned in to organise itself under the proposed system and to self-regulate so that the norms laid down are adhered to.

Thirdly, healthcare will have to be proclaimed a fundamental right through an Act of Parliament. Thus, in support of the social contract the paradigm shift from the current policy route to a human rights or rights-based route will have to be made to facilitate the reorganisation of healthcare services.

For the above to become a reality, at the country level a campaign to build consensus on right to healthcare will have to provide the lead, supported by research, advocacy and appropriate action by a collective of organisations and civil society groups. It is election time and hence an opportune moment to demand change n thinking and action on the health front.

At the international level, the Social Watch initiative, the Peoples' Health Movement, international NGOs like Oxfams and others will have to collaborate with national NGOs and civil society groups to take a lead role in getting international governance institutions like the UN Committee on Economic, Social and Cultural Rights, the UN Commissioner for Human Rights, the WHO and others to exert pressures on national governments to honour commitments made as signatories to international treaties and declarations like ICESCR, CEDAW, UDHR, Cairo and Beijing declarations. Only a synergy of all such forces will help in realisation of right to healthcare.

Fight Outsourcing and Privatisation Using Quality Public Services

By: Rolv Hanssen

The last 20 years have seen a neo-liberal rush to introduce market mechanisms and commercialisation in the health sector. We are seeing more private hospitals, and public services are increasingly reorganised and resemble private companies, with their focus on economic efficiency. This resemblance includes outsourcing, job cuts, centralisation, a decline in working conditions, and highly-paid directors.

Trade unions have been fighting outsourcing and privatisation for many years using traditional strategies. In fact, unions have blocked many privatisation projects – or made them much more difficult to carry out, by using industrial actions, protest campaigns and political lobbying. Nothing is wrong with such methodology, but unfortunately it has often not been enough. We have lost ground in spite of our best efforts. We have made it clear that we are against privatisation, outsourcing, and commercialisation, but we have not always been able to offer an alternative. We must counter Margaret Thatcher's famous refrain: "there is no alternative", which even some of our members have internalized, going on to simply try to find the best way to accommodate what they see as inevitable. Unions must be proactive and position ourselves at the forefront of change. Some PSI affiliates have found two other approaches very effective: using the Workers' Initiative strategy (WIN) to achieve quality public services, and building broad alliances.

Workers' Initiative and Quality Public Services (QPS)

The basic foundation of the Workers' Initiative strategy is to channel and acknowledge the fact that workers want to do their job well. Through their work experience and education, they have acquired knowledge and skills that are essential in running an institution, a hospital or a health service. Often this is hidden wisdom: workers own a rich source of knowledge that is not being used.

They have learnt about bottlenecks in the delivery of health services, about practices and procedures that work and those that do not. They have close contact with service users, they know about their problems and their expectations. Workers want to use that knowledge and experience to do a better job. They are the key to improving public services and achieving quality. We are in a unique position to use their knowledge and involve them in crafting thoughtful proposals to reform public services in much more effective ways than expensive consultancy firms can. In addition, they are in a position to implement any reforms effectively and to gain the support of users.

The WIN strategy consists of::

- Taking the initiative and framing the debate around quality rather than costs;
- Involving workers and using their knowledge to craft progressive reform proposals;
- Demonstrating the effectiveness of those proposals in well-chosen "model facilities";
- Forging partnerships with management and politicians to achieve quality public services based on agreements that there will be no privatisation, outsourcing or job cuts.

What are quality public services?

Quality has to be measured in ways other than by looking at figures in spreadsheets. Quality is giving the users the services they want. Quality means making services effective, reliable and accessible to all. Workers are the carriers of quality. They have the key to improving quality.

Building alliances with patients and users is crucial. Taking the lead in improving the quality of services and involving users in our efforts is the way to build those alliances. It involves handling users with respect, giving them professional services from the moment they enter an institution until they leave, asking them about what they want and expect, solving problems and talking openly with them.

In the health sector, service delivery involves many professional groups. Its quality is not dependent on only one or a few of these professions. Quality is the sum of every health worker's work. We need to have a holistic approach, with all the different actors working together.

The neo-liberals' refrain is that public sector services are expensive and of low quality. Public services are constantly criticized in the news media by people who want to discredit them.

Using the workers' initiative to improve services will result in the pro-privateers having less public support for their ideas. The way to win the sympathy and support of citizens is for workers to put the issue of quality at the forefront and to deliver the best possible services.

Alliances

We need to work with others to achieve quality services by building alliances. First, we need to form alliances amongst trade unions. This means between unions inside each hospital, institution and sector. It also means between public sector unions and private

sector unions. Second, we need to form alliances between professions with different skill levels. This is based on recognizing that all workers are skilled, and that everyone plays an important role. We depart from finding out what has the potential of uniting, not dividing us. We must worry about the final "product", and focus on our common goals. We need to show respect and support for each other.

Third, we need to form alliances between workers, their unions and management in, for example, hospitals and health institutions. This is often the most difficult. But we can do it if we focus on common goals, not conflicts, and by putting pressure on those who decide. Focusing on quality services is separate from the issue of wages and compensation. It does not mean we give up our right to bargain for better employment and working conditions. We still negotiate with managers on those issues in another forum, but the WIN strategy centres on the quality of the services provided. We give up nothing. In fact, our negotiating ability has always improved once we gain public support as the champions of quality services.

Fourth, we need to form alliances between workers, their unions and decision makers. We have found this possible even with politicians and policy-makers who hold very different views from ours, when we put forth a good plan, demonstrate its effectiveness and win public support. Politicians like nothing better than to show results. We can deal with the issue of changing the political composition of governments at all levels separately. To the extent that we gain influence with the public through our strategy to improve services, we have found ourselves in a better position to influence political outcomes.

Finally, the most important, perhaps, are the alliances between workers, their unions and service users and citizens in general. We start with users' organisations where they exist, and with NGOs. But in the end, it is the daily personal contact between health workers and users and their families that creates the solid bond that is most essential for us to win the battle.

The most important thing for trade unions is to be proactive, to take the offensive, to frame the public debate and to be upfront as the champions of change. Workers want change. They don't want international consultancy companies to determine the nature of the new health sector. Workers have ideas. The question is how to use their abilities, experience, knowledge and intelligence, how to make change possible in safe environments, how to make change and improvement become a welcome part of every worker's daily life.

Highlights of WTO's Revised Draft Modalities 19th May 2008

By: Lok Samvad Bureau

Agriculture

On 19th May 2008 Chairperson of the agriculture negotiations, Ambassador Crawford Falconer , circulated his latest revised draft "modalities" - a sort of blueprint for the final deal- containing formulas for cutting tariffs and trade-distorting subsidies, and related provisions. Draft is a revision of the previous version circulated on 8th Feb. 2008.

- **What's New this time?** The changes include: single numbers instead of ranges for most of the tariff-reduction formula (see explanation in the chairperson's cover note); technical but commercially significant new texts on sensitive products and tariff quotas; updated options for developing countries on "special products" and the new "special safeguard mechanism"; new provisions on "Green Box" domestic support; revised wording for food aid and export credit; various requirements on sharing information, including for countries to supply some specified data before the "modalities" are agreed; and improved drafting in a number of areas.
- The formulas remain largely unchanged, but the options are already quite narrow. Some negotiators say that the major issue in market access for them is no longer the formula, but the selection and treatment of sensitive products, where there has been considerable progress. It's highly technical - but with real commercial impact involving important traded products.
- The large amount of detail on flexibilities for developing countries, small and vulnerable economies and recent new members, has taken pressure off the main tariff reduction formula.
- The formulas are still important for countries and products where the formulas will apply, and because many flexibilities take the form of deviations from the formulas. Overall, hard bargaining still remains, on the numbers, tariff quotas for sensitive products, special products, safeguards, preferences, tropical products, some disciplines for domestic support, etc. The difference is that the options are now simpler and more manageable.
- The negotiations aim to reform agricultural trade principally in **three areas (the "three pillars"):** domestic support, market access, and export subsidies and related issues ("export competition").
- The **"modalities"** would spell out how to achieve this, including steps to be taken each year over a period.
- After the "modalities" have been agreed, they would be **translated into cuts** in tariffs on thousands of products, and reductions in subsidies and support. These would be part of the final deal.
- **Formulas** in the "modalities" would describe the basic cuts in tariffs, support and subsidies. For domestic support and tariffs, "tiered" formulas are used: if support or a tariff is high (ie, in a higher tier) it will be cut more steeply. Export subsidies would be eliminated.
- Not one-size-fits-all: the basic formulas for developing countries prescribe gentler cuts over a longer period. On top of that, a range of flexibilities would allow countries to deviate from the basic formulas, either totally or for some products, particularly in market access. This is designed to take account of countries' different vulnerabilities, the liberalization already undertaken by new members, and a range of special circumstances for some products in different countries.

Domestic support

- **Overall trade distorting domestic support** (Amber + de minimis + Blue). EU to cut by 75% or 85%; US/Japan to cut 66% or 73%; the rest to cut by 50% or by 60%. "Downpayment" (immediate cut) of 33% for US, EU, Japan, 25% for the rest. Bigger cuts from smaller developed countries with overall support as a larger % of production value. Cuts made over 5 years (developed countries) or 8 years (developing). (Unchanged)
- **Amber Box (AMS)** Overall, EU to cut by 70%; US/Japan to cut by 60%; the rest to cut by 45%. Bigger cuts from some other developed countries whose AMS is larger % of production value. Also has downpayment (square brackets removed).
- **Per product** Amber Box support: capped at average for notified support in 1995-2000 with some variation for the US and others. (Essentially unchanged, but with countries' caps to be annexed to these "modalities")
- **De minimis** Developed countries cut to 2.5% or 2% of production. Developing countries to make two-thirds of the cut (no cuts if mainly for subsistence/resource-poor farmers, etc). (Applies to product-specific and non-product specific de minimis payments)(Unchanged)
- **Blue Box** (including "new" type). Limited to 2.5% of production (developed), 5% (developing) with caps per

product. (This version: revised provisions for developing countries and transparency)

- **Green Box** Revisions and tighter monitoring and surveillance

Market access

- Tariffs would mainly be cut according to a **formula**, which prescribes steeper cuts on higher tariffs. This is now largely in single numbers instead of ranges of cuts. For developed countries the cuts would rise from 50% for tariffs below 20%, to 66-73% for tariffs above 75%, subject to a minimum average. (For developing countries the cuts in each tier would be two thirds of the equivalent tier for developed countries, subject to a maximum average.)
- Some products would have smaller cuts via a number of **flexibilities** designed to take into account various concerns. These include: **sensitive products** (available to all countries), the smaller cuts offset by tariff quotas allowing more access at lower tariffs; **Special Products** (for developing countries, for specific vulnerabilities), with more concrete options than in the previous draft.
- **Contingencies** Scrap or reduce use of the old "special safeguard" (available for "tariffied" products). Details of the new "special safeguard mechanism" for developing countries have been revised.

Export competition

- Export subsidies to be **eliminated** by end of 2013. Half of this by end of 2010.
- Revised provisions on **export credit, guarantees and insurance, international food aid** (with a "safe box" for emergencies), and **exporting state trading enterprises**.
- That permitted domestic support could distort trade, ensuring the methods of administering quotas do not themselves impede trade, and disciplining export finance, exporting state trading enterprises and international food aid so that they do not provide loopholes for export subsidies.

Critique

- One of the most contentious aspects of the new WTO modalities draft is likely to be the section on **Special Safeguard Mechanism** (SSM) for the developing countries. Draft continues to contradict several key points insisted on by the G33 in its many position papers and interventions. Though by taking steps like removing the earlier proposal to have the SSM expire at the end of Doha Round's implementation period, and also removing one of the options as to how long a SSM measure can be in place i. e. only to the end of calendar year, the draft paper does resolve some of the most contentious points in favour of G33, but in many other areas the draft has retained the severe limitations on the use of the SSM. For example-
- The number of products for which the SSM can be invoked.
- The price-based "trigger" which can only come into effect when prices fall by at least 30 % below the standard.
- Limiting the extra SSM duty that can be imposed to only up to the bound levels of the previous Round (i.e. the Uruguay Round).

Para 121: Restricted number of products

Para 121 states that the SSM shall not be invoked for more than [3-8] products in any given 12 month period. This repeats what had been stated in the February paper, despite the objections of the G33, which did not want any restrictions on the number of times the SSM can be invoked.

It has been observed that there can be many"simultaneous import surges", with a developing country experiencing at the same time an import surge in many products.

Thus, the Chair's restriction on allowing only 3 to 8 products to be eligible for the SSM to be invoked is very restrictive, and would greatly devalue the usefulness of the SSM.

It should also be noted that the SSG (which the developed countries, who in the Uruguay Round converted their many restrictions into tariffs) does not have such restriction. In fact, some developed countries have invoked the SSG hundreds of times. By putting such a strict restriction on the use of the SSM, it is being treated with far less flexibility than the SSG (which is mainly used by developed countries), which is against the principle that the SSM should be more flexible.

Para 124: Volume-based Trigger and Remedy

Para 124 deals with the volume-based SSM, its triggers and the remedy in terms ofadditional duty allowed. The paragraph provides two options.

The first option reflects the G33 position. In three tiers (where the volume of imports are 105-110, 110-130 and over 130 per cent of base import volume, which is the average of the preceding three years) the maximum additional duty is 50% of current bound tariff or 40 percentage points, whichever is higher; 75% and 50 points; and 100% or 60 points respectively. There is no limitation on whether the pre-Doha or Uruguay Round

bound rates are exceeded.

The second option reflects the opposing view, of those that are against an effective SSM. The first trigger comes into effect only when the increase in import volume is 130-135% and the remedy is an extra 20% of the bound tariff on top of the applied tariff as long as the bound tariff is not exceeded. As pointed out by the G33 earlier, this is really absurd as the objective of the SSM is to be allowed to exceed the bound tariff.

The second remedy in this option is when the volume is 135-155% of base imports. Then, the lower of 25% of current bound tariff or 25 percentage points can be added on applied tariffs provided this does not exceed the mid-point between the pre-Doha bound tariff and the current bound tariff.

The third remedy is when the volume exceeds 155% of base imports, the extra duty is the lower of 30% of current bound tariff or 30 points to be added to the applied tariff, provided the pre-Doha bound tariff is not exceeded.

The conditions for the use of SSM are so strict in the above as to render it useless. Firstly, it can be used only when the volume expands by more than 35%. Secondly,the remedy is very limited since the pre-Doha (i.e. Uruguay Round) bound duties cannot be exceeded. Thirdly, the restriction on the maximum of the extra duty is even more restricted in the tier of 135-155% volume increase because it is the mid-point between the current and the Uruguay Round levels.

And finally, there is an additional restriction that where these triggers are met but the absolute level of imports is "manifestly negligible" in relation to domestic production and consumption, remedies would not be applied [sub-para 124(g)].

In sub-para 124(h), LDCs are allowed to exceed their Uruguay Round bound tariffs, but only by a maximum of 25 percentage points, and this "entitlement" also applies to price-based measures.

In the February paper, small, vulnerable economies (SVEs) are also allowed this, but only on volume-based measures. In the new paper, this concession to SVEs is removed. The reason for this removal is not given. Thus for the volume-based triggers and measures, the main positions of the proponents and opponents of SSM are laid out as options by the Chair. They show how far apart the positions are, and how difficult therefore to get an agreement.

Another point to be noted is that the draft does not provide for conversion of all the complex and specific tariffs in the developed countries into their ad valorem equivalent, whereas it is necessary for transparency and effecting realistic reduction. Thus it reflects an uncertainty related to desired reduction in subsidies in the developed countries. On the other it just indicates some range of cuts, that too within square brackets, implying the need for further negotiations.

Para 126: Price-based trigger

In para 126, the new paper repeats the February paper's proposal that the price has to drop by at least 30% (compared to the average monthly MFN-sourced price for the most recent 3-year period) before the trigger goes off and the SSM can be applied.

This is in contrast to the G33 proposal that the trigger price is the average monthly price for the most recent 3-year period preceding the year of importation.

The G33 had strenuously objected to the Chair's trigger of 30% price fall.However, the Chair has not only retained his figure (although in brackets) but also did not put the G33's price trigger proposal alongside as an option.

In the case of countries like India, where nearly 60% of the population is dependent on agriculture for livelihood, such an SSM will have no meaning since by the time such an SSM can be invoked, widespread socio-economic disruptions would have taken place.

Para 127: Price-based remedy

In para 127, proposed price-based remedy is very restrictive. It does not allow full offset (to enable the depressed import price to be raised to the trigger price). Instead, the additional duty shall not exceed 50% of the difference between the import price and the trigger price. This contrasts with the G33 proposal that an additional duty can be up to the difference between the import price and the trigger price, so that the new price after SSM duty can be the trigger price (i.e. the average monthly price for the most recent preceding three-year period).

In addition, within brackets, there is even more restrictive condition that the additional SSM duty must be such that it must not exceed the pre-Doha or Uruguay Round tariff rate, in which case the pre-Doha rate will constitute the limit.

Thus given the Chair's conditions that (1) the trigger price must be 30% below the average price before SSM

can apply; (2) the additional duty shall not exceed 50% of difference between the import price and trigger price; and (3) the pre-Doha rate cannot be exceeded, SSM mechanism seems to lack the usefulness.

It is also discriminatory as the present Special Agricultural Safeguard (SSG), to which most developed countries but only a few developing countries have recourse to, does not have such a limitation (that the levels of the previous Round cannot be exceeded). The Chair's new paper proposes that the SSG be allowed to continue.

Yet, the SSM is supposed to be required because of the inadequacy of the normal safeguard. By imposing so many restrictions on the SSM, it would appear that the Chair's proposal would make it less useful to use than the normal safeguard itself, and thus rendering the SSM to be of little or no practical use.

The limitation (of the new duty not allowed to exceed the Uruguay Round rate) also means that most special products (which are the most important products for developing countries in terms of farmers' livelihoods and food security, and which will have no or a smaller reduction in bound tariffs) will not benefit from the SSM.

This is because: (a) Those special products with zero reduction will not benefit at all; (b) Other SPs will have only small tariff reductions, thus when there is a price depression enough to trigger the SSM, the remedy is so limited (it cannot allow the Uruguay Round rates to be exceeded) that the SSM would be almost useless for this category of SPs.

Para 129: Only MFN trade to be covered

On para 129, the new draft paper states that the calculation of the triggers and the application of the measures shall be on the basis of MFN trade only. This is a major turn-around from the February paper (para 134), in which the Chair gave developing countries the option whether or not to include preferential trade in the triggers and remedy. This paragraph was also not within square brackets, indicating the Chair's confidence that there is agreement.

The February paper only asked for consistency. Where preferential trade is included in calculating the triggers, the additional SSM duties shall be applied also to preferential trade, and where preferential trade is excluded from the application of remedies, that preferential trade shall not have been included when calculating volume and price triggers.

During the Room E discussions of the past months, the inclusion or non-inclusion of products affected by bilateral or regional trade agreements became a source of contention. The G33 and its members strongly defended the Chair's text and the right of countries to include FTA products in the remedy, and this stand was opposed by some few countries.

Instead of retaining his text, or placing the two views side by side as alternative options, the Chair has decided to do a turn-around to place a position opposite to his original position in the new paper, and without square brackets, thus indicating agreement when there is none.

This is a setback for SSM proponents, because a large part of agricultural import surges may come from their reduced tariffs arising from FTAs, and especially since FTAs and their implementation will become more important in future, for example, for ACP countries that are negotiating economic partnership agreements with the EU.

In fact, draft has presented a complex and complicated process for implementing special safeguard mechanism (SSM) to prevent a surge in imports in developing countries, while the special safeguard (SSG) remains simple for developed countries.

Thus, it can be said that if the opponents' option in para 124 is adopted, and if the other paragraphs proposed by the Chair are adopted, the SSM would be an ineffective instrument. There may be an illusion, projected to the public, that developing countries now have a new instrument to promote food security and farmers' livelihoods, but instead it would be of no or little operational value. Thus, the G33 positions on the various paragraphs should be retained. On para 129, the Chair's February 2008 text on MFN and preferential trade should be brought back.

Non Agriculture Market Access (NAMA)

NAMA draft has completely ignored the Doha mandate of 'less than full reciprocity 'in tariff reduction for developing countries. It has linked the tariff reduction coefficients with the flexibilities for developing countries. If Doha mandate is to be followed then the issue of flexibilities for developing countries should be treated separately and not in the way Stephenson has done. In the draft flexibilities meant for developing countries to keep their sensitive industries out of tariff reduction commitments have been completely taken away while developing countries have been asked to cut their tariffs by a greater proportion than developed countries. Thus Doha mandate has been turned up side down.

NAMA draft is also said to be trying to create a 'division' between developing country-members, particularly

NAMA-11. The draft suggests differential flexibilities for select countries like South Africa and Venezuela whereas it has to be multilateral.

The NAMA paper, as expected, formally introduces the "sliding scale" concept, giving a "trade off" for developing countries in choosing the extent of tariff reduction according to a "Swiss formula", and the extent of flexibilities to deviate from the full formula cuts for a small number of products.

This concept had been discussed at informal small group meetings for two months, so its appearance in the text is no surprise.

But its novelty in textual form does not detract from the main point that the core proposal of the Chair remains basically the same. The developed countries will have a coefficient within the range of 7 to 9 (previously 8-9). The developing countries will have a choice to choose between 3 coefficients, with each coefficient associated with a particular set of flexibilities.

Each of the 3 coefficients is also set within a small range. The flexibilities that have been mentioned (in brackets) for a long time (i. e. since the July 2004 package) are associated with the middle coefficient range, which thus can be taken as the centre of gravity.

Taking this, one finds that a developing country would have to choose the middle coefficient of 21-23 in order to make use of the central flexibilities (i. e. 5 percent of NAMA tariff lines can be left unbound or do not have any cut, provided they are limited to 5% of total non agricultural imports; or else 10 per cent of tariff lines can have cuts that are half the normal formula cuts, provided they are limited to 10% of total imports.).

Thus, there is no change in this core modality for developing countries from Stephenson's first controversial proposal in July 2007, that developing countries should have a coefficient within the 19-23 range, and with that particular set of flexibilities.

When Stephenson made his 2007 paper, it was severely criticized by a large number of developing countries, especially for the unfairness and imbalance in his choice of coefficients, which had been 8-9 for developed countries and 19-23 for developing countries.

His 20th May paper has essentially the same set of coefficients, i. e. 7-9 for developed countries and 21-23 for developing countries.

What is new is that developing countries are also given the "trade-off" choice of

(1) a lower coefficient (implying slightly deeper tariff cuts) of 19-21 with slightly more flexibilities of 6-7 per cent of tariff lines left unbound or having no cuts, but limited to 6-9 percent of NAMA import value; or 12-14 per cent of tariff lines having half of the formula cuts, but limited to 12-19 per cent of NAMA import value; or

(2) having a higher coefficient of 23-26 (implying slightly more lenient tariff cuts) while having no recourse to any flexibilities whatsoever.

Thus, the flexibilities are still constrained by the provision that the chosen percentage of products to enjoy the flexibilities shall face a second limitation, that the value of the products chosen for flexibility shall not exceed a very small percentage of the country's total non agricultural imports.

The fundamental problems with the NAMA text remain. Firstly, the coefficients still imply that the major developed countries have to cut their NAMA tariffs by a much lower percentage (20-30 per cent) than the major developing countries applying the formula (50-60 percent or more). This is against the less than full reciprocity principle, and in effect gives S&D treatment to developed countries.

Secondly, there is an imbalance between what the developing countries are asked to do in NAMA and what the developed countries are asked to do in agriculture. Not only are the NAMA tariff cuts very deep for developing countries, but the flexibilities they are allowed are minute and yet constrained further by the limit on import values (which are not present in the flexibilities for sensitive products of developed countries in agriculture).

Thus the two fundamental inequalities remain - between developed and developing countries in NAMA; and between the level of ambition of developed countries in agriculture versus the level of ambition of developing countries in NAMA.

In his new paper, Stephenson provides extra flexibilities for a few of the NAMA 11 countries, including South Africa, Venezuela, and countries in customs unions (which may include SADC and Mercosur). But this does not detract from the maintenance in his paper of the two basic imbalances.

By mentioning the "special case" of some NAMA 11 countries but not others, a new pandora's box may be opened, with those that are not given such "special treatment" feeling targeted or discriminated against (as initial official and industry reactions from India indicate), while those selected as special cases may not necessarily be satisfied with the treatment given to them.

WTO Talks on Global Trade Deal Collapse in Geneva

- Associated Press

After coming tantalizingly close to a historic deal, World Trade Organization talks at Geneva collapsed on 29th July in a dismaying blow to seven years of efforts to open up the global economy.

Once promised as a recipe for lifting millions of people out of poverty, the high-level talks ended after nine days and produced no new trade openings for farmers and manufacturers, no global economic boost and no grand deal for Third World development.

By all accounts it was a disaster.

"This is a very painful failure and a real setback for the global economy when we really needed some good news," EU trade commissioner Peter Mandelson said.

His disappointment was shared by top negotiators from the U.S., Brazil and India, who have played leading roles since the WTO launched its current trade round in the Qatari capital of Doha in 2001.

While the talks have struggled before, this failure was perhaps the most devastating. Faced with global unrest from rising food prices, credit problems from shaky financial markets and the threat of economic downturn, negotiators hoped that a deal this week to open farm and industrial markets would go some way to alleviating these problems.

But even as they made more progress than they had in years on issues such as farm subsidies and manufacturing tariffs, which were responsible for scuttling previous high-level trade efforts, the talks hit a snag over an obscure «safeguard» for protecting agricultural producers in the developing world from a sudden surge in imports or drop in commodity prices.

While farm import safeguards currently exist in rich and poor countries, they are rarely used and reflect only a minute portion of the billions of dollars in manufacturing, farm and services gains the WTO's Doha trade round was supposed to create.

"In the face of the global food price crisis, it is ironic that the debate came down to how much and how fast could nations raise their barriers to imports of food," said U.S. Trade Representative Susan Schwab, who resisted attempts by China and India to ensure a loophole for developing countries allowing them to increase farm tariffs as part of an agreement.

Schwab called the measure «blatant protectionism.

India's trade minister, who was blamed by a number of rich and poor countries for his intransigence this week, said the U.S. demands were unreasonable.

"It's unfortunate in a development round we couldn't run the last mile because of an issue concerning livelihood security," Kamal Nath told reporters.

The most significant WTO meeting in three years aimed to pull off a broad compromise that, in short, would have let poor countries sell more produce to rich countries while giving the U.S., 27-nation EU and Japan new chances for their manufacturers and service providers in the emerging markets of Brazil, China and India.

This was the trade off that eluded a WTO ministerial meeting in Cancun, Mexico, in 2003, and Hong Kong two years later. Gatherings in Geneva in 2006 and Potsdam, Germany, last year also failed to produce the breakthrough, but pressure was higher this time because of the likelihood that the U.S. and other key trading powers would lose interest amid administration changes over the next couple of years.

"I am extremely distressed," Brazilian Foreign Minister Celso Amorim said.

The South American country broke with many developing countries by accepting a would-be deal last week brokered by WTO chief Pascal Lamy.

"It was hanging on a thread," Amorim said. «The thread didn't hold.

Schwab appeared downcast when she first began to brief reporters. She said negotiators were "so close" last week, but then stopped speaking. Asked if the entire Doha trade round was over, she answered: I didn't say that.

Before abruptly walking away, Schwab said she was disappointed that Lamy's package is not going to carry the day.

U.S. officials were especially bitter after agreeing under the deal to limit U.S. farm subsidies deemed to unfairly distort international trade to under US $14.5 billion. Although it is still above actual payments to American farmers, it was a far lower level than Washington had ever accepted and seemed to gain the support of all 153 WTO members.

Some took the U.S. movement as an important step, noting that it came after a contentious five-year, US $291 billion farm bill that maintained and even extended a number of U.S. subsidy programs. But others noted that offers were made without any congressional weight, citing U.S. President George W. Bush's lack of a "fast track" authority to submit a trade deal to Congress for a yes-or-no vote.

India's Nath at one point called Schwab an "impostor".

The debate over farm subsidies has taken on added

significance amid the recent spike in food prices around the world. Poorer nations say the payments distort global farm markets and hinder the development of sustainable agriculture in the Third World.

But without a final deal, Europe will not be required to open up its farm markets to emerging powers in Latin America and elsewhere. Brazil, China, India and other fast-growing developing nations won't have to ease access to manufacturing imports from the rich world. And the U.S. will not have to make any tough decisions now on the billions of dollars in farm subsidies it pays out each year to American growers of cotton, soybean, rice and other staples.

"For any outside observer, someone coming from another planet, it must be hard to understand how, after all the progress we made, we were not able to conclude" a deal, Amorim said.

Mandelson, who also tried to bridge differences at the end, said it was a «collective failure.

"But the consequences will not be equal," he said. They will fall disproportionately on those who are most vulnerable in the global economy, those who needed the chances and the opportunities most from a successful trade round, those from the developing countries who really needed and deserved a break. I am afraid they have not received that today.

Doha talks still in trouble

(Sep 25, 2008)

The World Trade Organisation's (WTO) long-running Doha round is in trouble after failing to reach a breakthrough last July but cannot be written off completely, diplomats and business lobbyists said this week.

The issue that proved a stumbling block in July - a proposal to help farmers in poor countries cope with a flood of imports - continues to block progress, they said.

"We've got some problems. It's not looking good. It's not dead but I'm not optimistic," said one trade diplomat.

Differences between the United States and developing country food exporters on the one hand and India and other big developing country importers on the other torpedoed talks among trade ministers two months ago.

Over the past two weeks seven leading trade powers failed to find a solution to the safeguard that would reconcile the differences, diplomats said.

Diplomats said the group of seven countries, known as the G7 - Australia, Brazil, China, the European Union, India, Japan and the United States - would remain in contact but had not succeeded for now.

Viable proposals

On the one hand the United States rejects a safeguard that would be triggered by what it sees as the normal growth in trade in food commodities, as that would block increased market access and even see previous agreements rolled back.

But India and other big developing countries say their millions of subsistence farmers need a simple mechanism that can be invoked quickly when their livelihoods are threatened by a surge in imports.

"The G7 produced some viable proposals but not everybody liked them," said an ambassador from one G7 country.

"We need an answer from India on where they stand."

Officials and diplomats will continue to try and find a solution, as well as tackling other issues on which there is no agreement so far, such as the level of US cotton subsidies.

These talks will be in a series of consultations in small groups led by New Zealand's WTO ambassador Crawford Falconer, who chairs the WTO's agriculture talks and will meet WTO members to discuss the next steps.

Latin America

Truckers strike in Colombia

Colombian truck owner-operators went on strike in July to demand higher hauling fees to protect their income from rising fuel prices. Nemesi Castillo, President of the Colombian Truckers Association, declared that there had been no agreement with the Labor Ministry, prompting the Association to intensify the struggle. "We intend to paralyze 98 percent of vehicles, some 145,000 trucks," said Castillo.

This is the second truckers strike in Colombia in a month and a half. The earlier strike ended when Colombian President Alvaro Uribe promised to subsidize the truckers. Strikers point out that no substantial change came from that agreement.

United States

Kansas aircraft workers vote to strike

Members of the International Association of Machinists District 70 voted by 80 percent to reject the latest proposal by aerospace company Hawker Beechcraft Corporation and then voted by 90 percent to strike the company. The leadership of the union called the last proposal substandard and recommended that the 4,700 workers at the company's Wichita, Kansas plant and another 500 at Salina reject the offer.

Hawker Beechcraft offered the union four percent annual wage increases over the course of a three-year agreement. But the proposal still leaves workers, such as assemblers, receiving wages that are $2.30 an hour less than those received by their counterparts at Cessna Aircraft Company.

Asia

Thousands strike for pay rise at Vietnam footwear factory

Nearly 14,000 workers at the South Korean-owned Hwa Seung Vina factory in the Dong Nai Industrial Zone, near Ho Chi Minh City went on indefinite strike on July 26. They were demanding an increase in travelling allowance plus a 300,000 dong ($US18) per month salary increase to compensate for escalating consumer prices.

The company offered a 200,000 dong increase if the workers returned to work but this was rejected by workers.

Stalled negotiations spark hospital strike

Workers at over 100 hospitals throughout South Korea went on strike over two days from July 29. The strike was called by the Korean Health and Medical Workers' Union after long-running negotiations for a pay rise and improved working conditions became deadlocked.

The union has scaled back its pay demand from 10.2 percent to 7.5 percent but hospital management refuses to increase its latest 4 percent offer. Management also refuses to meet other demands, including staff increases, improved conditions for non-regular workers and the scrapping of a plan to establish a profit-making medical corporation on Jeju Island.

Indonesian shipyard workers demand improved conditions

Over 2,000 workers at PT Jaya Asiatic Shipyard in Batam, Riau Islands struck on July 28 demanding the company improve working conditions. The workers, mostly contract welders, claim the management is neglecting sanitation and safety and not providing workplace insurance. The company has also prevented the workers establishing their own union.

Workers want the company to provide safety shoes, helmets and fireproof uniforms and to pay insurance into the government-owned PT Jamsostek insurance company. A spokesman for the Batam chapter of the National Workers Union said employees were reporting for work but refusing to carry out any work tasks until the issues are addressed.

Hong Kong Nestlé workers strike

Nestlé drivers and deliverymen in Hong Kong walked off the job on July 27 in support of a 7 percent rise, a 12-hour cap on daily working hours and commissions based on the wholesale value of the goods carried. Workers complained they could not understand the formula by which commissions are calculated.

Despite company threats to withdraw from Hong Kong or to outsource jobs if the strike continues workers maintained industrial action. The returned to work only after the company agreed to increase commission rates by 6.5 percent and review basic wages at the end of the year.

Indian airport workers defy government pressure

Around 2,000 employees from Airports Authority of India (AAI) stopped work on July 29 and demonstrated outside the Rajiv Gandhi Bhawan in New Delhi. They were protesting over being pressured by the government to resign from AAI and sign up with Delhi International Airport Ltd (DIAL), a private company contracted two years ago to manage and develop the airport. Workers say employment conditions would worsen under the new management.

AAI signed an Operation, Management and

Development Agreement with DIAL and Mumbai International Airport Ltd (MIAL) in 2006 for an initial 30-year term with an option for a 30-year extension. According to DIAL, the original contract required it to make an employment offer to 60 percent of AA1 employees by May 2009. This was extended to include all employees. Only nine percent of the over 2,300 AAI employees working at the Delhi airport have joined DIAL.

Protesters submitted a memorandum to Civil Aviation Secretary Ashok Chawla and Airports Authority of India (AAI) chairman K Ramalingam on July 29. Airports Authority Employees Union members have threatened an indefinite strike if the issue is not resolved.

Australia and the Pacific

Truck drivers protest escalating costs

More than 40 semi-trailer drivers, accompanied by colleagues in 13 cars, drove in convey around the CBD in Queensland's capital city Brisbane on July 28 to protest rising fuel prices, registration fees and operating costs. They accused large transport companies of refusing to pass on fuel levies to the independent drivers.

The protest jammed traffic in William Street and the Riverside expressway. One driver told the media: "Enough is enough. Finally these boys have come together to demonstrate that companies are getting big money, but we get nothing."

The drivers are also questioning new laws relating to fatigue management that they say are ineffective and impact further on drivers' ability to meet the deadlines demanded by transport companies. The industry is notorious for conditions that force drivers to engage in practices that threaten their health and well-being.

The Australian Long Distance Owners and Drivers Association (ALDODA) and the National Road Transport Forum (NRTF) have called on drivers to take action, including picketing at oil refineries and other forms of protest, over the issues.

Public sector workers protest government salary cap

Around 300 workers, including firefighters, teachers, construction workers and police rallied in Sydney on July 30 to protest the NSW state Labor government's 2.5 percent cap on pay increases for public sector workers. A protest was also held outside the Newcastle office of state treasurer Michael Costa.

Public sector unions say they will impose work and overtime bans and hold stop-work meetings. State government departmental employees have threatened to ban all communication with ministers or ministerial offices. A government spokesman ruled out any change to its wage cap declaring that anything above 2.5 percent would have to be offset by productivity increases and savings in other areas. The government's cap is well below the current 4.5 percent inflation rate.

Fiji airport workers vote to strike

Around 170 Airports Fiji Limited (AFL) employees, members of the Fiji Public Service Association (FPSA) and the Air Traffic Management Association of Fiji (ATMAF), voted to strike on August 29, after attempts to reach a solution over outstanding employment issues failed. The ballot results were validated by the Registrar of Trade Unions this week. Workers want immediate payment of a 10 percent wage rise overdue since 2002.

A union spokesman said the AFL had challenged the 10 percent pay rise in court and although "the ruling was in our favour" the company still refused to comply. Other issues which arose in 2003 and 2004, including cost of living adjustments, remain outstanding. According to the union, the company owed the workers about $4 million in back-pay and other benefits.

In a separate dispute, labourers brought in from India to work for the Fiji sugar industry in Labasa walked out on strike this week over outstanding pay and poor working conditions.

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