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The Noose Is Tightening

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The Noose is Tightening

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'It is nothing but a box-shuffling exercise even as the developing countries are forced open'
Victor Menotti (International Forum On Globalisation), on the July Framework.

An Introduction

Indian Agriculture, World Trade Organization (WTO) and Development – the irreconcilable combo.

More than 2/3 of Indian population depends on agriculture and allied activities to meet their livelihood needs. Nearly 80 per cent of this population comprise of small and marginal farmers. This explains for the large part, the need to preserve food security and rural livelihoods- as essential- to get people out of poverty and to generate growth in the country. It is with this view that the strategic foundation of the Indian agricultural policies were built around the twin objectives of food security and strategic sovereignty i.e. sovereignty in policy matters. The protectionist policies with active intervention of state saw the institution of Food Corporation of India (FCI), the mechanism of Public Distribution System (PDS) to ration food to the needy population, Minimum Support Price (MSP) on crucial food grains and provision of subsidies & state support to agriculture and agricultural services. It implied that the government had the **tools, means and the policies** that successfully transformed India from a food deficit and famine-stricken country of 1960's to a food surplus one in 1990. According to National Sample Survey (NSS) data, it is also in this period that the per capita availability of food increased.

India accepted membership of WTO in 1995. Agreement on Agriculture (AoA) is a very crucial component of WTO under which the countries are obliged to reduce the protectionist barrier and provide equal treatment to private companies both national and foreign without any discrimination. A whole gamut of policies in the agriculture sector (under the commitments at WTO) unleashed since then, is caustically undoing whatever has been achieved since the wake of Indian independence in the quest of self-reliance. Although the domestic policies have not been completely without flaws, opening up the agriculture sector to the pillage of agribusiness interests at such a fast pace and scale-as demanded by the developed countries-have already begin to show its impact on masses. For instance- nutritional condition of the poor in both the urban and rural areas in India has worsened during the 1990's; a large number of undernourished people at 225 million (23 % of our population) according to a conservative estimate of Food and Agriculture Organization (FAO) are below the poverty line and spend a considerable proportion of their total income to obtain food; an estimated 2 millions small and marginal farmers are leaving their landholdings every year to become a part of the growing land-less labor; more than 6000 farmers in Andhra Pradesh, Maharastra, Karnataka have committed suicides by growing cotton for the international market since 1997; the cost of crop production has gone up by 100-400 per cent while the value of output is experiencing a downward swing severely affecting the meager rural livelihoods. Evidently, this process of integration of our farmers with international trade with simultaneous nonchalant purging of the protectionist veil by the Indian government, has witnessed our farmers being subjected to the unforeseen fluctuations that dominate international commodity market. In absence of an appropriate social safety net they are been driven to desperation.

WTO lays down rules and framework that are unitary and universal in nature with very slight difference in its applicability, in essence. The treatment meted out to the developing and the developed countries, despite obvious and wide-ranging differences with respect to agriculture as related with employment, livelihood and food security is critical and disputable. In fact, so far, most of these policies have in practice served the developed world at the cost of development in rest of the world. The Peace clause (see Annexure 1) – that made dumping legitimate and the various boxes (details in Section I) containing incredible level of subsidies bears a testimony to this.

Farming for livelihood vis-a–vis factory farming

The agricultural economy in these countries presents a palpable contrast. In the developed world agriculture economy is concentrated in the hands of a few agribusiness, multinational in character and the huge company farms. The dominant form of agriculture is industrial in nature. The average population of farmers in these countries is less than 3 per cent and is disturbingly decreasing per year. It also indicates that food grains and vegetables have been 'commoditised' i.e. few firms basing upon industrial agriculture and an appropriate scale that maximizes profits are producing all the food to feed those who can buy and also export it overseas. A glance through the food grains sector in these countries is shows replete examples demonstrating the control and power the agribusiness enjoy: 80% of corn, 81% of maize exports and 65% of soybean exports is done by three firms: Cargill, Archer Daniels Midland (ADM), and Zen Noh. These firms also toss down more than 50 per cent of the subsidies given in this sector. Further, in this context food is neither related to the aspect of livelihood nor is it an area that generates employment to the extent as in developing countries.

It is in visible contrast to countries like India where a majority of population is engaged in subsistence and small-scale agriculture (average farm size is 0.5 acres) - the extent of the industrial farming being negligible - supplying small amount of surplus to the local markets in order to eke out a living. More than 80 per cent of the supplied seeds are controlled by these farmers. We see, that seeds, manure and output are largely, controlled by these farmers or regulated by the government.

A glance through the amount of state support provided to these farmers in these two worlds presents a very compelling picture:

Based on the census data, per farmer support of Indian government to a farmer is Rs.535, whereas in United States, in 1999, it was Rs. 2, 85,216, **a difference of whopping 533 times!** Agricultural subsidies in the rich world are - nearly US$ 1 billion a day - six times more than its foreign aid! **If the differences are so stark, how can same or even similar rules apply to a majority of countries disregarding their state of development and role of agriculture in the economy?** The apparent motives of AoA therefore have remained invisible i.e. capturing the emerging market of the developing world.

Regrettably, in India these retrograde national policies are following the diktats of multilateral rules – a hodgepodge of treacherously devised policies of World Bank (WB), the International Monetary Fund (IMF), Department for International Development (DfID), Japan International Cooperation Agency (JICA) and ADB (Asian Development Bank) to name the most influential. For instance, international financial institutions led by WB, IMF and regional development banks demand 'opening up of domestic markets to imports as conditional to' (developing) country's access to loans.

Every International institution from the United Nations and its agencies to the WTO blames the agricultural trade practices of rich countries for devastating rural communities in developing countries. At WTO however, little has been done to change the status quo while farmers around the world have been forced off their land because they can no longer make a living from farming.

What next? United Progressive Alliance (UPA), keep the promises you made.

The proposals now in play in Geneva whose outcome is the July Framework reflect the domestic politics of WTO members, especially developed country members, and the export interests of multinational agribusinesses that trade in commodities and processed food. WTO negotiators have so far ignored the economic and social needs of developing countries. WTO efforts have also failed to target the most egregious market distortion -dumping that can potentially cripple any economy. Worse, the present WTO agricultural agreement, and proposed changes fails to incorporate binding commitments to realize fundamental objectives that include the fulfillment of the human right to food and the establishment of a resilient rural sector as a basis for economic development. Although Indian establishment averred that India did not loose anything substantial at WTO, it is only a disaster in the making as the developed world has been able to get the July Framework text '**as worded as**' they could have ever desired with an expanded blue box and introduction of the category 'sensitive products'. The July framework therefore, largely reiterates its commitment to preservation of the self-interest of the agribusiness-of the developed world- of the past.

In light of facts, the upcoming Hong Kong Ministerial scheduled on December 2005 presents Indian establishment with a distinctive opportunity to put a strong stance in favor of the population, mostly farmers that voted it to power. Lest they forget that the vote of the farmer was against the exploitative policies- followed by reigning governments- that were wedded to liberalizing areas of rural irrigation, electricity and farming policy essentially anti-farmer in nature subjecting the farmers to ruthlessness of the international market without any safeguards. The toppling of government of Telugu Desam Party in Andhra Pradesh, Congress in Karnataka and Congress in Maharastra are a few cases that strongly demonstrate this. Notably Common Minimum Programme (CMP) of United Progressive Alliance has committed to provide '**adequate protection is provided to all farmers from imports, particularly when international prices fall sharply**' (a reminder of the appalling fate suffered by thousands of cotton growers in AP, Karnataka and Maharastra).

At a time when there are fears from all quarters that the protectionist veil would be taken off the CMP emphasizes that "**the UPA government will ensure that government agencies entrusted with the responsibility for procurement and marketing will pay special attention to farmers in poor and backward states and districts. Farmers all over the country**

will receive fair and remunerative prices." It goes on to add further that "**the terms of trade will be maintained in favor of agriculture.**"

The fifth Ministerial at Hong Kong would be time for the government to go beyond the usual rhetoric and earnestly demonstrate diligence fulfilling its promise and showing responsibility towards those on whose mandate it has been voted into power.

Section-I

The section provides a backgrounder to agricultural negotiations, emergence of G-20, how its short-lived unity was squashed systematically, and Geneva Negotiations - its outcome and possible implications.

It historically traces the origin of AoA as an instrument in the hands of Northern countries to control the huge emerging market of agricultural commodities. It is easy to understand that the inherent contradictions between the economic realities of agrarian economics and AoA policies culminated in the formation of G-20 during the Cancun Ministerial (September 2003). It emerged as a 'developing countries platform' to unitedly voice their concerns forcefully. However, between Cancun and Geneva this threatening unity was systematically and strategically squashed through 'carrot vs. stick' measures in order to counter any sort of stringent opposition to the corporate friendly, anti-people agricultural policies pushed legitimately through WTO negotiations.

Geneva negotiations culminated in a deal - also called July Framework - arrived at by stealth, tilting unjustly in favour of Northern countries & its agribusinesses. The framework successfully stalled the democratization of WTO policies. It's implementation would incrrease dumping in Southern countries by G-5 and increase their hold on primary commodities in global market.

Agreement on Agriculture (AoA)

Agreement On Agriculture – a brief on the unsettled past!

Up to 1995, agriculture remained an activity that was beyond the purview of trade. General Agreement on Tariffs and Trade (GATT) that was in place then dealt with the international trade of 'commodities'. It did not include agriculture. **Agriculture was clearly not considered to be a commodity!** GATT rules were therefore largely ineffective in disciplining key aspects of agricultural trade.

The Uruguay Round Agreement (1987-93) of GATT set up a framework of rules and started reductions in protection and trade distorting support that led to the formation of WTO. AoA, a part of WTO was formulated at the strenuous insistence of the US and agribusiness MNC's like Monsanto and Cargill. The cognizance of emergence of agribusiness as a profitable venture for both food grain and vegetable trade tells on its formulation. According to Codex, a body jointly administered by the FAO and WHO, the volume of world food trade is enormous and is valued at between US $ 300 billion and $ 400 billion per year. However, the window of immense opportunities could not be translated into windfall profits if the market remained stagnant. Implying that the profits were conditioned upon allowing agribusiness MNCs belonging to the Northern world legitimate 'unconditional access' into the emerging market (of agriculture and related services) of the developing world. Added to this the realization that a large number of these countries including India can become suppliers of vegetables to the supermarkets in the north and elite centers in the developing countries round the year at cheaper price.

The next Ministerial from now is scheduled for December 2005 at Hongkong. There have been 4 Ministerial in the past –Uruguay (1987-93), Seattle (December 1999), Doha (November 2001) and Cancun (September 2003).

From the very beginning the world -with developed on one side and the non-developed on another-has been deeply divided around the issues of agriculture. It indicated the contentious nature of the agriculture issues in AoA. Seattle demonstrated the angst of masses against the anti-people character of WTO as they successfully stalled the negotiations in 'militarist tradition'. Doha remained controversial. However, the developed world and the dominating players of the pharmaceutical industry and agribusiness were able to extract substantial gains for their businesses. Under the enormous pressure of civil society, Doha Round was committed to "**review and revise TRIPS provisions**". TRIPS alone in likely future will go on to undermine fundamental rights of millions of farmers around the globe notably of the developing countries and bring irreversible damage to these farmers -who still independently determine what to grow and how - by conferring exclusive patent rights to the Agribusiness and Pharmaceutical industry.

The G -20[1] block, why they huddled together in Cancun?

"The G-20 broke away the monopoly over trade negotiations by the EU and the US."

Clodualdo Huguenuy, Ambassador. Brazil at WSF, Mumbai, 2004

Cancun marked a watershed in history of WTO negotiations where the developing and the underdeveloped countries organized themselves as forceful and steadfast groups under G-20 and G-33. G-20 was lead by India and Brazil. India showed a vacillating interest in G-33. These groups fiercely resisted the moves of the developed world, that was hell-bent, to impose its self-serving text on agriculture on rest of the world. Kenya

[1] The G-20 Block includes: Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Venezuela

assumed a lead role, as it became the first country to have staged a walkout during negotiations showing its frustration over the anti-farmer stance of European Union (EU) and US.

Further, the tragic death of farmer leader, Lee Kyung Hae who stabbed himself at the venue became the 'symbol of excesses' borne by farmers across the world due to the inimical policies followed by WTO esp. in the farming sector.

G-20 crucially emerged, during the Cancun Ministerial, as a group representing chiefly the agricultural interests of the developing world. It directly clashed with the self-serving interests of the developed world that wanted to make no commitments to reform their own agriculture while seeking greater access into developing countries markets.

Between Cancun and Geneva how the unity of G-20 was throttled?
Originally, streamlining of agricultural trade by preparation of modalities in agriculture was to be completed by March 2005. However, following the fiasco at Cancun (September 2003) where developing countries staged a walk out indicating a near-collapse of the multilateral talks, the next WTO General Council meeting, to be held at Geneva July 2004, became the last platform wherein the derailing of the WTO could possibly be averted. ***This therefore, became the last tuft of hope for the developed world to force the rest of the countries to remain a party to multilateralism.*** And in order to accomplish so, victory at Geneva was essential to breathe life into the dying vampire of WTO. **Geneva therefore, became the symbol of resurrection of the global multilateral system of trade.**

- **Tactics used by G-5: Intimidation, Bribes, Cooption, and Catering to individual demands through inducements:**

"We are using our influence to persuade developing countries that a deal is in their interest".

UK Trade Minister Patricia Hewitt on the preparations
for the July Meeting

The mandate of AoA has been "**to correct and prevent restrictions and distortions in the world agricultural markets**". Causing distortion in international trade has largely been a practice that the developed world indulges in. However, instead of repudiating them, WTO has become a platform where their trade interests dominate. Instead of opening their country's borders, the developing and underdeveloped countries border are prised open '**through undemocratic means**' of intimidation, arm-twisting politics or playing the overwhelming power that control over international aid and trade gives them. The Geneva General Council Meeting bears naked testimony to this.

- Arm-Twisting and Bribes

Withdrawal of Aid

Kenya has been one of the most vocal African countries in the WTO championing the cause of developing nations. Just days before the July WTO meeting, the EU withdrew aid (on 21July), to the tune of US $ 60.2 million for the "prevailing governance situation in Kenya", because of the way the government had handled a corruption case. It is guessed by many that EU did not want Kenya to be "too confident" at the Geneva meeting.

Taming the Africans With Africa Growth and Opportunities Act (AGOA) III

AGOA is a major inducement for some key African countries. Kenya's exports to the US under AGOA, trebled from $45 million in 2001 to $150 million by 2003. Under AGOA II, African countries' ability to import fabric and yarn from countries other than the US was to expire in September 2004. This was a major worry for the African countries since most can no longer locally produce their own cotton (due to US subsidies and consequent dumping) and importing yarn from the US was too expensive.

Timed at exactly two weeks before the July WTO meeting, President Bush signed into law the AGOA III legislation on July 13 extending the provisions of the Africa Growth and Opportunities Act (AGOA) from

2008 to 2015. The legislation makes provision for African countries to continue importing "third party" raw materials for another three years. This was packaged as a major concession to African countries such as Kenya. Two proponents of the **Cotton initiative** (details discussed in Box- 4) are also AGOA recipients – Benin and Mali.

Millennium Challenge Account
The Millennium Challenge Account – a development assistance fund – first mooted by G. W. Bush in 2002, came into effect in 2004. Undoubtedly, it has been used as another carrot. The MCA provides $1 billion aid to 16 developing countries in 2004. During the week of the WTO talks, faxes were sent by the US to certain recipient countries, reminding them that they will be given this aid. WTO member countries who have been selected as recipients include: Benin, Bolivia, Ghana, Madagascar, Mali, Mongolia, Mozambique, Honduras, Lesotho, Nicaragua, Senegal and Sri Lanka. Significantly, two of the "cotton" proponents are also part of this list – Benin and Mali.

Quota Allocations for Sugar
Sugar is a significant export commodity for a number of countries. On 23 July, a week before the July meeting, US announced its sugar quota allocation for 40 countries. *This system allows these countries to export a fixed quota to the US at a lower tariff rate providing the recipients with an assured market in US.* The largest recipients were the Dominican Republic (185,335 metric tons) followed by Brazil (152,691 metric tons), Philippines (142,160), Australia (87,402), Guatemala (50,546) and Argentina (45,281).

By doing so, Washington launched a frontal attack on the G-20 by successfully detaching these countries, significantly Brazil and Philippines from the G-20 body.

Visa Waiver
Negotiations on visa waiver to the US was completed only in the first week of July. The visa waiver was granted to Nigeria.

- Threats

US "Food Aid"
The first draft, 16 July text had said that food aid should not be used as a mechanism for "surplus disposal". The implication is that food aid should be given in grant form. That is, US' PL 480 programme where loans are given to countries in terms of food at a time convenient to the US had to be disciplined. In response to this, the US Trade Representative wrote to all the countries, which are recipients of PL 480 challenging them to speak up against the language in the text. *The implied message to them was that with that language as accommodated in the text, they would cease to get food aid from the US.* This led to LDCs as well as several other countries, such as Mongolia, breaking ranks with developing countries and taking sides with the US.

Japan's Bilateral Aid
Japan also pressured countries, which were beneficiaries of its bilateral aid programmes. In the first week of July, Japan sent a delegation to Geneva to meet other member countries. The Japanese told those receiving their aid - mainly Asian countries- that they were not to go against Japan's offensive interests, including dropping the three Singapore issues (investment, competition, transparency in government procurement) from the WTO agenda. *Aid recipients were told that support given for their infrastructural development could be reconsidered.*

This led to countries take the softer position with the three Singapore issues being dropped from the Doha Work Programme, but still retained in the WTO.

- **Co-opting the individual countries-** ***"detach the most vocal from the rest of the group"'***

The developed world used multiple tactics at the same time to make G-20 less assertive and vocal. *They moved on to make Brazil and India central players in the negotiations in agriculture, countries that were the key obstacle in furthering any moves on trade liberalization. Thus was formed* *in early April the informal grouping called Non-Group of five(NG5), including US, EU, Australia, Brazil and India to draft the agricultural text.* India and Brazil were acknowledged as the leaders of the G-20 block and played a very crucial role in drafting the agricultural text of the July framework. Being the central players, they were also able to get concessions for their respective countries.

This scheme particularly helped in sobering both India & Brazil and, greatly limited their ability to repudiate the larger parts of the text. Although, their individual demands were met the price has been a greater dilution of the negotiating position of the South.

- **Fragile unity and divergent concerns crack G-20:**

Most of the influential members of the G-20 were the agro-exporters like Brazil and their interest lay in ending the massive subsidies that US and EU offered to their farmers, bringing down the tariff barriers to access the market in these countries significantly. Many countries including Indonesia felt that G-20 governments were less concerned with protection of developing countries markets and smallholder agriculture from low priced imports. Their concern therefore was to prevent dumping by the US and EU countries and not greater access to markets of Northern Countries. Similarly, India's primary concern was to maintain the existing levels of subsidies, which it was committed to reduce.

The wide-ranging concerns of the underdeveloped countries expressed itself in the ad-hoc unity that could not stand the temptations of making individual gains. It did not take much time for Northern countries to recognize this and engage in bait feeding. As they had rightly guessed, the South and their champions contentedly gave up their larger demand of making the rules and practices of the international trade work for the poor countries and communities around the globe by calling an end to the unjust subsidies that developed world offers to its farmers, disallowing market access and its ritualistic practice of dumping 'surplus' in overseas markets.

- **Strategic visits to the developing countries:**

Instead of spurning invitations to the G-90 (including the African and Caribbean countries) meeting at Mauritius, US Trade Representative went there. Very surprisingly, the confrontational language gave way to the rhetorical efforts. G-90 was convinced of a 'humane compromise' on agriculture and was urged to initiate talks on NAMA, rather successfully.

G-7 resorted to a mix of strategies: political diplomacy around provision of aid, doling out scraps by giving concessions to individual countries in order to bring the hostile block to its knees. Further, the individualistic approach of the G-20 countries leaders enabled the EU-US combine to crack G-20 by catering to individual demands so as to seclude them from the ephemeral assertion of unity. In fact, without mincing words it could be said that both India and Brazil backstabbed the G-20 unity for their temporary gains. What they did needs to be condemned with greatest severity as they were the leaders of this group and their easy submission revealed their tyranny and hijacked the larger concerns.

This in recognition of the fact that for **the first time ever since Cancun, US and EU acknowledged the power of G-20 and realized that they cannot always trample upon the legitimate demands of other developing or underdeveloped countries to cower down before their arrogant assertion of trade interests.**

Geneva Ministerial and July Package: What Happened And How?

Hallmark of Geneva –Green room meetings!

A process of seclusion remained the hallmark of the General Council (GC) meeting. For the first half of the week, the main negotiations agriculture were held only amongst 5 members of Non Group of 5 (NG5). The revised 30 July draft was the work of the Tim Groser, the New Zealand Ambassador emerging from the informal and unrecorded discussions in the NG5.

The 30 July draft was then further discussed by a group of 20 countries in a Green room that ran from the evening of Friday 30 until 8 am on Saturday morning. The 20 countries emerged endorsing the draft. The amendments they made were brought back to the various groups - Africa Group and LDCs, G20 and G33 where it was accepted. The green room meetings again brought up the issues of lack of transparency and questions about the representatives.

So, following a week of intense 'secretive' meetings, an agreement was reached on the night of 1st August night at the WTO in Geneva on the July Package. The WTO adopted the framework on how to move forth on the issues of trade in agriculture among others including Non-Agriculture Trade Access (NAMA), services and 'development issues'. The July package would form the basis for the next stage of negotiations. In agriculture the next phase would be to finalize the 'modalities' (principles and figures, for example on how much to reduce tariffs).

-Geneva General Council Meeting:
The fear of being blamed for another Cancun-like collapse caused many developing countries to be extra cautious and to eventually accept a deal of which they have been critical. Both the first and the second drafts on trade issues that came out on 16th and 30th July were severely criticized by the developing countries. Nonetheless, the final draft was accepted by most of these countries for reasons of the 'invisible fist' and the compromises arrived at clandestinely. The 'victors' went ga-ga over the democratic spirit of WTO even as the democratic norms were brutally bypassed in the process.

-Trade negotiators of US/EU come in hordes:
This was a GC meeting and the main players were supposed to be the Ambassadors. The WTO leadership had made known that it was not necessary or advisable for delegations or their Ministers to come. Absence of the Ministers from most of the developing countries meant that significant political decisions couldn't be taken. Except the ministers from Brazil and India, only some 45 Trade Ministers were present in Geneva, *with many representatives of countries that played a key role in Cancun like Kenya and Nigeria totally absent.* The GC meeting remained dominated by Trade Representatives and delegates from EU, US and Japan.

-Inadequate access to the Civil Society:
The limitation for entry into the arena was even stricter than during Ministerial Conferences. The entire proceedings were shrouded away by public. The global Civil society that played a critical role in the outcome in Cancun was for the most part complacent failing to appreciate how quickly the trading powers could rebound from their state of disarray.

-Broader implication of the manner in which the decisions were taken in the General Council:
July package came up with a Ministerial declaration without being one! *Two Ministerial collapses - Seattle and Cancun underlined to the WTO Secretariat and the trade powers the unwieldiness of the Ministerial as an arena for decision-making.* Ministerial always attracted NGO's and

popular protests. It drew ministers many of whom were not professional negotiators but political people determined to stand up for their country's interests. It brought the press in large numbers and made the proceedings more transparent despite the wish of the negotiators accustomed to the' Green Rooms'.

It revealed the extreme sense of desperation of the developed world to impose an unjust and inequitable writ on the developing countries exposing their insatiable trade-centered quest for new and newer emerging markets.

The three contentious issues in agricultural trade and the July package:

The talks in agriculture are conducted under the three pillars of Market Access, Domestic Support & Export Support, and the Special and Differential Treatment (SDT).

Box-1

The Three Pillars -

Market Access: It includes, **Bound Tariffs, Applied tariffs, Non-tariff Barriers, Tariff rate Quota's, Special Safeguards, Special Safeguard Mechanism, Countervailing-Anti-Dumping Duties**

Domestic Support: It includes **Amber Box, Blue Box, Green Box, de minimis, Non-Trade Concerns** (NTC) see Box 5 for details.

Export Support: It includes **Export subsidies and export credits**

Special and Differential Treatment: It includes **Special Products, Sensitive Products** and **Peace Clause**

(**See annexure-1** for definitions)

- **The Groups at Geneva and their concerns:**

G-33

G33 placed "Power to Decide" at the top of their agenda and also advocate the right to use border measures a cornerstone of their negotiating positions at the WTO. Most of its member countries consider selective protection to be essential.

G-90

While relatively weak, members of the G90 demonstrated their willingness to use their veto power at Cancun. They had been very crucial in bringing the deadlock at Cancun. Their priority was protection via border measures in order to safeguard their economy. They also wanted US and EU to put an end to dumping in their domestic markets. They demanded market access for their exports for crops like cotton, on which a number of national economies depend.

G-20

Some G20 members (especially India) strongly support selective protection in the Agreement on Agriculture. Those that do not (Brazil, Argentina) were hesitant to threaten the group's unity.

US, EU, Cairns Group.

They oppose the 'power to decide' on the grounds that it hampers progressive liberalisation. Some powerful players recognise that some concessions to developing countries in this area are needed to reach a deal on Agriculture. None showed a willingness to acknowledge the need for selective protection, much less a willingness to champion it. Canada and the EU have defensive interests of their own, and have acknowledged the need for a Special Safeguard against import surges and for measures to protect certain products of a sensitive or special nature via a flexible tariff-reduction formula. The US, Australia and New Zealand have been the most vociferous opponents of protection, while the G10 (Japan, etc.) support protective measures for their own defensive interests.

Corporations

Multinational corporations that are set to gain from increased US exports and greater access in and between developing countries' markets are lobbying behind the scenes for significant cuts in tariffs and will use their clout with governments to try to scuttle any progress made in the 'power to decide'.

International Financial Institutions

International finance institutions (IFI's), the World Bank and IMF as well as regional development banks have played a significant role in opening domestic agricultural markets of poor countries. Many poor countries have long reduced their tariffs and eliminated barriers to agriculture imports to comply with loan conditionality and fulfill commitments to country assistance programmes.

They also determine, at least for countries under structural adjustment programs, whether countries can or not use flexibilities that they hope to gain at the WTO.

Ideally, the expectations of the developing countries from the Geneva GC included: (a) Elimination of exports subsidies by EU and US. (b) Progressive reduction in subsidies given to farmers in US, Japan and EU. (c) Obtain commitments from EU and US to put an end to dumping. (d) Get access into the markets of US (Brazil's major demand). (e) Secure "Special Products' category for themselves that would contain farm products on which their food security, farmers' livelihoods or rural development depends. These would be exempted from further tariff reduction (India's crucial demand). (f) Amber Box should be scrapped and Blue box subsidies be gradually reduced towards complete removal (India's crucial demand).

However, the Geneva GC brought into fore 'sheer rhetoric's' without any concomitant commitment from developed countries on issues of export subsidy, reduction in subsidies and an end to dumping – that is distorting global agriculture- while extracting concrete and trade concessions from developing countries in form of greater access to their markets.

- **What happened in the core areas? (Export Support, Domestic Support, Market Access)**

The Commerce Minister, Kamal Nath, after returning from Geneva, admitted in public that India was able to clinch a good deal at Geneva. However, Agriculture Department had been cynical about the Geneva deal. In fact Agriculture Department's scrutiny has revealed that India conceded much more than it got. US and EU made specific gains and the 'concessions' for India are still to be negotiated.

Export Support – The developed countries 'in principle' agreed to eliminate the agricultural export subsidies. Export credits, export credit guarantees or insurance programmes with repayment periods beyond 180 days will also be eliminated and those of and below 180 days would be disciplined. For the first time ever such a commitment has been made.

Box-2

Brazil's concerns - Removal of agricultural subsidies.

The biggest gainer with the phase-out of subsidies is said to be Brazil. Some estimates place its gain at $10 B. Yet these gains are not secured until locked in by the modalities of the negotiations. Moreover, even if the elimination supposedly takes place, the EU has after all been known to replace export subsidies with indirect export subsidies by way of direct payments to farmers under the Green Box. (This is also the intention of the current CAP). However, the Brazilian Agribusinesses were hungry for a successful WTO agreement that would enable them to hike their exports to the EU and the US. And their influence over the government's position cannot be under emphasized.

However, the July package has not fixed an end date or a road map for this elimination implying that it remains a very non-committal area that shows on large part ambiguity regarding developed nations claim to usher in equity in international trade.

Market Access: The July framework mentions a 'banded formula' to discipline the market access provisions. It will ensure that the steepest tariffs receive the highest cuts. However, so far no decisive date has been specified in this regard. The text proposes to apply to use the formula for all except the 3 categories of: Sensitive products, Special products and the SSM.

Sensitive Products- Developed countries succeeded to introduce a new category of 'sensitive products', a kind of Special and Differential Treatment, for protection of an appropriate number of agricultural products by a country. These heavily protected farm goods would enjoy special treatment in relation to the standard tariff-cutting formula. **This concept of the 'sensitive products' made a sudden appearance in the text just a fortnight before, without it being extensively discussed.** Importantly, the sensitive products can be used by all members and thus by developing countries as well.

Box-3

Terror Tactics!

EU suddenly brought in the category of the 'sensitive products' to protect some 20-40 per cent of its products from significant tariff cuts. Worried that the negotiators might put blocks to their demand for protected SP essential to their food security, the developing countries yielded.

It is understood that this category was devised for the developed countries which are unable to use the special product's category, which falls under Special and Differential Treatment which can be availed exclusively by the developing countries.

Its fallout is seen as limited market access to developing countries agricultural exports in the developed countries due to the use of the clause of 'sensitive products'.

Special Products (SP)- In contrast, **the developing countries have been pushing for a decision that farm products on which their food security, farmers' livelihoods or rural development depends should be exempted**

from further tariff reduction. No concrete decision has so far been taken on this issue. The Geneva decision states that developing countries will have the flexibility to designate appropriate number of products as Special Products and these products would be eligible for more 'flexible treatment'. The 'exemption from the tariff' that G-33 had asked for is still not provided. The G-33 has been asking for the injunction of 'self-selection' criterion. However, no clear stand has been taken on this issue. Further, the criteria and the treatment, unspelt so far, will be specified during the 'next negotiations'.

In a major step backwards for the developing countries, the statement in the first draft, **'there will be no requirement to expand tariff rate quotas on SP products' has been removed,** implying that SP's will also be subjected to Tariff Rate Quota expansion. It would risk the domestic producers in the developing countries where invariably low price and competitive farm goods would be dumped by the US and EU within the framework of the AoA.

Special Safeguard Mechanism (SSM)- The long standing problems (cheap imports, etc.) and their demands to address these problems through the instruments of Special Products and Special Safeguard Mechanism made relatively little or no headway. A SSM is to be established for developing countries only. However, its scope and application has not been defined so far.

Domestic Support: DS includes: Amber Box, Blue Box, Green Box, *de minimis* and Non-Trade Concerns (NTC) around which the negotiations occur.

This is one of the most notorious pillar through which the US and the EU have been successful in manipulating the support provided to its agriculture, thereby subsidizing their agricultural production significantly and dumping it in overseas markets below the actual cost of production.

Box-4

'We do not bother about what dumping does to your economy'.

The ruinous practice of dumping has rendered millions of farmers around the globe desperate. In Geneva, the issue came up very strongly in the form of Cotton Initiative. It included the Cotton producing West African countries backed by the Africa Group and the Africa Caribbean Pacific (ACP) group. The Initiative expressed how the $3.7 billion of subsidies to its 25,000 farmers, in the process ruining the fate of 12 million West African farmers that depend on cotton production for survival. It demanded:

-All forms of cotton export subsidies to be eliminated by date of the implementation of the Doha results- more than average reductions in domestic support on cotton, and complete elimination of all forms of trade distorting support on cotton by a specific year irrespective of the rest of the agricultural negotiations.

-Cotton should be treated as a stand-alone item.

In fact, even the ruling of the WTO Dispute Panel in 2002 had gone against the US Cotton subsidies, the WTO has refused to act.

All that General Council has done was to instruct the DG to consult with the relevant International Org, including the Brettonwoods Institution- The FAO and International Trade Centre to direct effectively existing programmes and any additional resources towards development of the economies where cotton has vital significance, revealing the inherent tyranny and the sweeping powers that developed countries hold over the WTO.

The framework proposes to cut overall levels of support (Amber Box, de minimis and Blue Box combined) using a tiered formula so that highest levels of support will be subjected to steeper cuts than smaller levels. Every year, the minimum reduction in spending on the trade distorting support (sum of Final AMS+ minimum that is permitted+ Blue Box) will be 20 per cent. It seems to in accordance with the Doha Principle of substantial reductions in "trade-distorting domestic support".

Box-5

The Pandora Boxes-

In WTO terminology, The AoA sub-divides domestic support programs into a variety of categories. Most of the Domestic subsidies in general are identified by boxes that are given the colors - Green, Amber and Blue:

Amber Box: The amber box is the category of domestic support that is **scheduled for reduction**. It is measured through Aggregate Measurement of Support (AMS), amount of domestic support considered trade distorting and subject to reduction commitment. Most of the domestic support considered distorting production and trade fall into this Box. These include measures to support prices, or subsidies directly related to production quantities. Amber Box support is defined in Article 6 of the Agriculture Agreement as all domestic supports except those in the blue box, green box and "de minimis".

The 30 WTO members that had larger subsidies than the de minimis levels at the beginning of the post-Uruguay Round reform period are committed to reduce these subsidies. Members, which have not scheduled any domestic support reduction commitments during the Uruguay Round, are prevented from using "amber box" domestic support.

De minimis: This is the allowable level of spending that is **not subjected to reduction commitments** and is not included in the AMS calculation. Thresholds are established for both overall agricultural production (for general support programs) and for specific commodity programs. The thresholds are referred to as the *de minimis* levels. This level of spending exempted from any reduction commitments, is currently at 5 per cent and 10 per cent for the developing and the developed countries respectively.

The whole program must cost less than the *de minimis* level to be excluded from the AMS. The U.S. has a number of programs that are eligible under *de minimis* rules, but most EU programs are too expensive to qualify.

Blue Box - This is the "amber box with conditions" - designed to reduce distortion. Any domestic support that would normally be in the amber box is placed in the blue box under article 6 of AoA , if the support also requires farmers to **limit-production**. Very few developing countries have

Blue Box-eligible programs. To break the deadlock on agricultural negotiations under the Uruguay Round, the U.S. and EU brokered a deal in 1992 called the Blair House Accord. The accord was a deal to exempt from reduction domestic support programs that were linked to production-limiting programs i.e. payment based on fixed areas and yields, or per head of livestock. At the time, both the U.S. and the EU's Common Agricultural Policy relied heavily on such programs. This exemption was dubbed the Blue Box and was included in the AoA as Article 6.5.

The July framework also proposes to put a cap to the Blue Box spending at 5 per cent to the country's total value of agricultural production, previously there was no limit to the amount spent under this box.

Green Box - It is a category of programs on which **spending is not limited by the international trade** agreement. Programs in the green box category are protected from countervailing duty challenges. Green box subsidies supposedly, do not distort trade, or at most cause minimal distortion. They have to be government-funded (not by charging consumers higher prices) and must not involve price support. They tend to be programmes that are not targeted at particular products, and include direct income supports for farmers that are not related to (are "decoupled" from) current production levels or prices, general services, public stockholding for food security purposes, domestic food aid, government financial participation in income insurance and income safety-net programmes, payments for relief from natural disasters, structural adjustment assistance provided through producer retirement programmes, resource retirement programmes, investment aids, payments under environmental programmes and pest and disease control, infrastructure programmes and development payments under regional assistance programmes. It is more formally referred to as Annex 2 of the AoA.

Non-trade concerns (NTCs): Non-Trade Concerns objectives are used to legitimize government programs that run contrary to the AoA objective establishing a market-oriented agricultural trading system. It includes food security, rural development and environmental protection. The European Union has included animal welfare and eco-labeling as NTCs they protect in the next iteration of the agreement.

Blue Box - One of the most dramatic element of the framework text was the creation of a new criteria that would expand blue box by accommodating the counter-cyclic payments (direct payments to the farmers) given by the US government to its farmers. This has been in face of the fact that the developing countries are opposing expansion of the Blue Box. Article 6.5 on the Blue Box would be reviewed to include direct payments to the farmers by the member countries (The July text does say that the criteria 'would be negotiated' and will have to be less trade distorting than the Amber Box. But the text seems to pave the way towards the accommodation of the direct payments made by US to its farms). US at present does not have a Blue Box. US had abandoned the Blue Box following its domestic agricultural policy reforms of 1996, Freedom to Farm legislation (US Farm Bill). In fact, *US had been the driving force behind expanding the programme-limiting criterion that would determine what could be included in the Blue Box.* Blue box now on would also include the counter-cyclic payments that create a price floor for commodities, implying that if prices fall below this floor an automatic income-support system would be triggered for the domestic producers, paid per unit of output without a limit to the volume of production covered.

The framework also proposes to put a cap to the Blue Box spending at 5 per cent to the country's total value of agricultural production, previously there was no limit to the amount spent under this box.

Box-6

How Washington managed to expand an already ballooning and controversial Blue Box?

During the Geneva meeting Washington distracted the developing countries attention by putting its demand that they must reduce their *de minimis* domestic support. The developing countries came pleading on their knees, as they wanted to defend their subsidies. The US stepped back to compromise on the issue in return for their agreeing to the expansion of the Blue Box.

US is therefore, in the process to accommodate subsidies worth 5 per cent of the total agricultural production value in the Blue Box. It would transfer the counter-cyclic direct payments that it gives to the farms under the US farm Bill, 2002 to the Blue Box.

The EU already makes significant use of the Blue Box beyond the 5 per cent level at 14.31 B Euros in it. But the text framework provides enough vat to EU by stating in the paragraph 15 that – '***in cases where a member has placed an exceptionally large percentage of trade distorting subsidies in the Blue Box, some flexibility will be provided on a basis to be agreed to ensure that such a member is not called upon to make a wholly disproportionate cut***'. Besides, EU has already planned to shift large part of these to Green Box. In this manner, *these subsidies, which would otherwise be disciplined, could be maintained at the scheduled levels.*

This is indicative of the inherent hypocrisy pervasive at the negotiations where the parochial interests of few rich countries dominate.

Green Box- The Geneva Package does not place a cap on these subsidies nor include a reduction commitment provided under this Box. It only said that the Green Box criteria would be reviewed and clarified to ensure that ***"it is not or minimally trade distorting". But no headway has been made in this direction.***

The loophole of the Green Box was left at the Marrakesh because its implications on the developing countries were not very clear. However, it appears more perilous now than ever with gargantuan amount of subsides been placed under this box and its after shocks been felt in the arena of international trade. It acquires a very serious dimension as by boosting farm revenues by way of huge spending on decoupled programs, it assists –actually incompetent- farms to remain in business. Although considered least trade distorting, Organization for Economic Cooperation and Development (OECD) has already stated that in practice these payments do affect production. Furthermore, most of the developed countries, including EU under Common Agricultural Policy (CAP) and US among others are already in the process of shifting their subsidies into the Green Box and are prepared to reduce the subsidies from other boxes. In this condition, *if a 'prohibitive cap' is not put over the Green Box, it would offset whatever little benefits accrued to the developing countries.*

Amber Box- Geneva decision calls for substantial reduction in the overall level of trade distorting domestic support – Amber Box (also called Aggregate Measure of Support) - from the bound levels. It would follow a tiered formula, whereby overall base level of all the trade distorting subsidies will be reduced. In this the members with higher support would make greater overall reduction. Every year, there would be minimum 20 per cent reduction in spending within the Amber Box. Further, product specific support under the box will be capped. (India does not have an Amber Box.)

De minimis-

The framework proposes the de minimis threshold. This level of spending exempted from any reduction commitments, is currently at 5 per cent and 10 per cent for the developing and the developed countries respectively. In the framework that provides special treatment to the developing countries those programmes undertaken in these countries would be exempted that allocate 'almost all de minimis support for subsistence and resource-poor farmers'.

This is not considered to be a major gain. It is ridden with 'riders' as it would be impossible to 'prove' how all of the programmes under de minimis are directed at 'subsistence and resource-poor' farmers.

What Did The Developing World Lost?

The Geneva Decision therefore does not guarantee an eventual decline in the levels of the support provided to the domestic farming industry in Norhtern countries. In fact, it shows potential increase in the levels of support through inherent in Northern countries flexibility, especially through the undisciplined Green Box and reduction commitment from the present 'unlimited spending levels' taken as the baseline.

Choice of using bound /permitted or existing levels as the base levels from where the reductions are calculated- actually mean that EU and US can raise their farm subsidies from the existing level. Because the first installment of the cut in subsidies is not based on the present level of subsidies but rather based on the three components: Final Bound total AMS+ Permitted *de minimis* and the Blue Box.

Box-7

EU demonstrates the tyranny of the rich countries:

- EU subsidies at present total around Euros 55.8B (including the under notified coupled support).
- Present level of subsidies i.e. 'overall levels of support ' including the Final Bound total AMS+ Permitted de minimis and the Blue Box stands at 95.76 billion Euros
- Following application of a cut as proposed in the framework it would be at Euros 76.63 B. this is greater than the present amount of massive subsidies being **doled out mainly to agribusiness and bigger farms.**

Therefore, exposing the base character of rich countries, as they tend to use legitimate tools of trade to further their self-interest and meet their political commitments while forcing the other part of the world to part with whatever little support they offer to their increasingly pauperizing peasantry.

Imputing terms and operatives in a very shrewd manner, the proposed framework includes an intricate mechanism to accommodate US and EU's very high levels of agricultural subsidies while putting in place a new tariff formula to open developing countries agricultural markets.

It confirms the increased sense of fear of dumping of various agricultural commodities under the existing framework as it will continue and may even increase. In the process, it would endanger the precarious livelihoods of farmers across the globe majority of who are small landholders.

Export Support – A non-concern for India

Developed countries had agreed to eliminate all forms of export subsidies by an 'end date', it has not been defined. In absence of the any 'finality', the developed countries commitments are meaningless. The flexibility provided to India to continue with its export subsidies may mean little as India's exports and export subsidies are negligible. It is not primarily an agriculture-exporting country.

There is no commitment from developed countries on cutting export subsidies; India has agreed to cut its import tariffs.

Market Access- perilous times ahead

A country like India cultivates nearly 250 crops in year where as US does 25. For US getting a couple of commodities under the category of 'sensitive products' category would not be impossible. Commerce Ministry maintains that an appropriate number of products can be designated as special products in order to safeguard the products against entry of such products from other countries. But with diversity of over 250 products, India will find it difficult to specify, most of these products as 'special products'.

US, Canada EU and Japan maintain high tariff peaks of 35-900 per cent on food products such as sugar, rice, dairy products, meat, fruits, vegetables and fish, which can be easily brought under the category of 'sensitive' and some 25-40 of the sensitive tariff lines under the tariff rate quota can be easily protected under this category

Uruguay Round had a guideline for developing countries of an overall average reduction of 24 per cent and a minimum reduction of 10 per cent in each tariff line. The Geneva decision has agreed to a 'single approach' for developed and developing countries of a 'tiered formula' for tariff reductions, with 'deeper cuts in higher tariffs with flexibilities for sensitive products'. **There will be special and differential treatment for developing countries, but they will be subjected to the tiered formula**. It would mean that the products with a higher band of tariff (meaning higher tariff) would be subjected to deeper cuts.

It remains to be seen if the worsening of the situation can be partially offset through the SP and SSM mechanisms.

Box-8

Special and Differential Treatment was a measure originally carved out for the developing countries given their varying levels of development. It would enable the developing countries to avail some concessions. Instead of dispensing with these measures, the July framework legitimizes its application for the rich countries. Under the guise of Special and Differential Treatment developing countries are being told to reduce support to their farmers.

It comes as a twist because developed countries provide more than millions of dollars every year resulting in artificially lowered prices at the international market. The commerce ministry feels that the Indian tariffs are reasonably high and therefore, Indian agriculture is still safe. But without spelling the 'minimum cuts', the agreement can in fact prove to be perilous for Indian farmers.

This rough deal therefore implies that India opened its borders to US agricultural products while US has not said that when its export subsidies will be taken out. For the last decade however, developing countries have already implemented large reductions in tariffs and quota restrictions that the WTO required for them. These are the only tools that would have enabled them to protect their domestic production from the onslaught of the North.

c) Lost in the baffling boxes-

India has also conceded to the demand of the US to shift its trade-distorting subsidies to the Blue Box. Blue Box subsidies give the US farmers incentives to keep the production levels within limits. While closing the subsidies through one route, it would still be able to give subsidies to its farmer through another.

Rich nations agreed they would cut domestic support to their farmers by 20 per cent in the very first year itself. Developing countries have been told that they need no reduce the MSP to their 'resource poor' farmers. It means nothing, because nearly all the support given in India are to poor farmers. India will find it difficult to in 'proving' how many of its farmers were poor.

In fact, the provisions cleverly inserted would actually allow the North to expand its subsidies.

All the efforts made by the developing countries to see that trade distorting Blue Box is removed have been nullified. The new Framework allows the developed countries to shift a large chuck of agricultural subsidies – now under the Green Box or the Amber Box- to the Blue Box.

It also means that the advantage that the countries have gained due to termination of the Peace Clause has been negated. They will now be confronted by an equally detrimental Blue Box.

India has conceded much more than it got. US and EU made specific gains and the' concessions' for India are still to be negotiated.

Possible Implications of the July Framework

Dumping may in fact increase!

The practice of selling the products at prices below their cost of production- dumping- is one of the major distortions that cripple any significant move towards, 'establishing a fair and market oriented trading system' **in the present state of negotiations.**

The July package does not offer any respite to countries been affected by this. In fact, with ambiguous articulation around export subsidies where the industrial countries remained non-committal, the latest explosion in domestic support – part commitment -though CAP and US Farm Bill and an expanded Blue Box which would house more than $ 100 billion in form of subsidies of US, that run contrary to the ideals of multilateral trade, the extent of dumping may in reality increase illimitably.

A brief overview of dumping shows that **US and EU have remained champions in export dumping of agricultural products** showing utter disregard to the deleterious affects it brings to the national economies by ruining their rural economies, endangering food-security, unsettling balance of payments and driving millions of farmers worldwide to desperation.

The figures below indicate the levels of dumping in agricultural produce by US in the international markets in 2001:

Table: 1 Extent of Export Dumping by US

Agricultural Commodity	Full Cost (US $/ Bushel)	Export Price (US $/ Bushel)	Percent of Export Dumping (%)
Wheat	6.24	3.5	44
Soybeans	6.98	4.93	29
Maize	3.37	2.98	12
Cotton	0.9313	0.3968	57
Rice	18.66	14.55	22

(Source: United States Development Agency)

USDA data also indicate steadily rising levels of dumping in wheat, maize, cotton and rice by US, raising questions on its commitment to reduce distortions in the international trade.

The fact that world commodity prices are far from adequate to provide producers with a living anywhere be it US or India reveals that **dumping is also been used as a strategic tool.** Ex- US spends over millions of dollars for cotton farmers to rectify the gross income collapse caused by chronically low prices in the international market but continues to dump its produce below the cost of production. In 2001, the level of dumping hovered at shocking level of 57 per cent.

Box-9

Dumping is a stated policy!

US government has a special Export Expansion Programme (EEP) to develop export markets. Under this, the US government grants agricultural exporters the authority to sell commodities held by governments Commodity Credit Corporation to certain specified countries at prices much below those prevailing in the domestic market.

The 2002 farm Bill sets $ 478 million apart for this purpose, effectively called dumping! **It shows how WTO is a game to US hypocrisy beyond its usual rhetorical façade of trade commitments.**

It is enough evidence to reveal that dumping is a potent weapon in the hands of the industrial countries. Most of these can afford to spend millions of rupees in compensating there farmers against artificially lowered world prices in order to undermine the food-sovereignty of developing countries and LDC's paving the way towards creation and expansion of a market for their agricultural produce.

- **Dumping throws countries economies out of gear-**

Dumping presents the farmers with an extremely critical condition where below-cost imports drive them out of their local and regional markets. In absence of a social security net, which the developing countries often lack, it may actually take only 2-3 years for the farmer to abandon his patch of land as farming becomes unsustainable.

In fact, dumping can infact turn a food-surplus country a food-deficit one in a matter of few years

Box-10

Zimbabwe - from plenty to scarcity!

In the first half of the eighties, price support helped facilitate a threefold increase in maize production in Zimbabwe. By 1989, Zimbabwe had a maize surplus of around 1.5 million tones. It also exported to the neighboring countries of Malawi and Mozambique to cover the food deficit. After this, the situation worsened. Maize prices in the region became depressed as a result of heavily subsidized maize dumping from US and food aid. Prices of maize were reduced and storage operations scaled down. Over this period, a large number of farmers opted out of farming. It led to a 75 per cent drop in maize production in 1992, leaving the country with a 1.4 million tonne food deficit.

Presently, **Zimbabwe remains routinely on the radar of World Food Programme, under this scheme of food-aid US conveniently dumps its Genetically Engineered food.**

Box-11 **Vicious cycle of dumping:**

Dumping of agricultural produce

Farmers unable to compete. Thrown out of local markets

Greater dependency on 'outside' support for food.

Farm income falls, non-farm income rises. In succeeding years, farmers abandon farms – sell off, migrate, pick up petty off-farm jobs.

VICIOUS CYCLE OF DUMPING

Significant drain of forex
(In absence of any product of strategic relevance viz: petroleum etc. greater requirement of funds to facilitate imports) Greater loans sought from International Funding Institutions –WB,ADB, JICA etc.

Dependency on the dumped food rise / loss of Food security/ sovereignty Short, medium term food deficits common

National government become subservient to the demands of the dumping country/countries. Strategic decisions (defense, policy matters) cannot be taken independently

The country may turn into an annually food-aid receiving country. Ex-Somalia, Burkina Faso etc.

- **The belligerent two - US and EU - flout the WTO Dispute Tribunal rulings-**

EU and US have repeatedly shown contempt for the law by flouting the otherwise binding decisions by Dispute Settlement Court by placing their actions beyond any scrutiny and criticism. **Cotton symbolizes the unfairness of current subsidy practices of the United States, as does sugar for the European Union.**

In two separate cases brought by Brazil and several other developing nations (including Thailand, Australia, India) in DSC, the EU and US were found to be guilty of paying subsidies which encouraged the overproduction of cotton and sugar, which in turn lead to the dumping of excess produce on global markets – depressing the global price of those two commodities. The ruling of the WTO Dispute Panel has gone against the cotton and sugar subsidies, but both of these belligerent countries have refused to act.

In West Africa alone, 10 million people depend on cotton for their livelihoods. US cotton dumping, causing a sharp decline in world cotton prices, has impoverished all of these farmers. The WTO panel found that $3.2 billion in US cotton subsidies and $1.6 billion in exports credits (for cotton and other commodities) are against WTO rules. This represents almost all cotton subsidies and close to 50 per cent of all export credits used by the USA in 2002.

Similarly, EU's dumping of over 2.7 million tones is in contravention to its WTO commitments. WTO regards the provision of these sugar subsidies as illegal. These subsidized exports further exceed the EU's permitted level of subsidized sugar exports. Oxfam has estimated that EU sugar export dumping translated into foreign exchange losses in the region of $494m for Brazil, $151m for Thailand, and $60m each for South Africa and India in 2002 where over millions of farmers depend on sugarcane production for livelihood.

Developed world shuts any competition from outside

Geneva decision affectively legitimizes the parochial concerns of the industrial world, in short, expansion of their market without any strictures.

G-5 has been successful in getting commitments from developing countries on lowering of their agricultural tariffs, without a corresponding commitment from their side. Not just so, they have been successful in blocking any possibility of imports into their domestic market as well. The effect of reduction in tariffs makes a number of countries competitive.

Box-12

Reduction of tariffs saw farmers off farmland in Indonesia

In 1998, as the Indonesian economy was reeling under East Asian Crisis, IMF eager to bail-out the country from the prevailing volatility in the economy. IMF gave a loan of $ 45 B as economic reforms loan. The provision preconditioned on reduction of tariffs to 0 per cent for rice and sugar- that it chiefly produces. These subsidized imports inundated the domestic markets at cheaper prices, causing a downward slide in the price of local sugar and rice, so that these products may compete better. In two years alone more than 42,000 farmers – small and medium had left farming and were struggling to make their ends meet by seeking petty jobs in the non-farm sector.

While their onslaught in overseas markets expands infinitely, they may continue to maintain high tariffs and support their farmers, agribusiness & agri-export interests by pumping more and more money in this sector.

This has been achieved through a mix of measures: introduction of a new category of 'sensitive products', for use by developed and developing countries alike, no commitment in the area of market access and export subsidies and bloating Blue and Green boxes.

It's logically understood that the statement 'deeper cuts in higher tariffs with flexibilities for sensitive products' demonstrates amply that 'sensitive products' clause would be used by the developed countries to effectively shield their economies from imports of food grains- that it produces in abundance- from other countries. While in absence of any concrete commitment reducing export subsidies and allowing access to their markets, they have indeed played the masterstroke by succumbing not an inch and gaining enormously.

Section II

The section provides a brief of the real but invisible, behind the curtain forces determining every move at AoA negotiations, WTO. These forces dominated by agribusiness intend to take agriculture out of farmers' hands so that they may claim monopoly over the entire food-supply chain.

Southern farmers are now under severe duress. The disturbing phenomena of farmers migrating en-masse to towns and committing suicides are not merely confined to India, rather this has emerged as a process across continents that has engulfed Asia, Africa, Caribbean countries and South America. The impending crisis of rural livelihoods and economies altogether, in this context needs to be addressed at the earliest with sincerity and commitment at WTO. Our gravest error however would be, to view WTO agricultural negotiations as processes isolated from the broader covert mechanisms at work deftly manipulated by the giant agribusinesses. Agribusinesses are craftily pushing their vested interests effectively both within WTO and outside it. In this context, not understanding the stakes of agribusinesses would make it impossible for us to dwell upon a 'possible solution' that would undo the unequal terms of trade and make livelihoods of millions of farmers across globe sustainable and independent. Within the WTO negotiating table these giants have tremendous influence over G-5 that actually shapes the discourse therein. Outside it, their interests are pushed through a network of corrupt politicians, bureaucrats & academician-experts-advocating the selfish cause of agribusinesses giving it a just and humanist face-and ineffective regulatory structures manned by bureaucrats or experts (in Southern countries). A major challenge that these companies face in South is the fact that presently agriculture lies in public domain, controlled by over millions of farmers-small and medium. Colonization of farm inputs, patents (under TRIPS), buying back in bulk from farmers under agreements and selling the final produce by agribusinesses is therefore crucial so that bio-diversity, that gives farmers choices could be butchered and control over production and the final produce, hitherto controlled by farmers in the South, could be systematically eroded. It also necessitates crushing of pro-farmer, pro-people policies and structures (FCI, PDS, Marketing Act, Land Ceiling Act etc.) replacing it with an infrastructure that serves the interests of agribusinesses.

This broader perspective is essential so that we may clarify our role and chalk out an effective strategy to challenge the on-going both inside and outside WTO meetings.

AGRIBUSINESS

The Mastermind Behind!

"Thanks to it political influence, big agribusiness has been able to pack USDA with appointees who have a background o working in the industry, lobbying for it or performing research or other functions on its behalf. These appointees have helped to implement policies that undermine the regulatory mission of USDA in favor of the bottom-line interests of agribusiness."

Philip Mattera, Industry Analyst in USDA Inc (2004)

The relationship among WTO, governments and agribusiness giants is an open secret. Their mutual admiration and reciprocal obsequies has often been subjected to severe public criticism. It legitimately calls into question the interests that formulated agricultural policies represent. Is a policy driven by peoples welfare motive or to enable the agri-business corporate to reap windfall profits? The experience of the past decade and present underlying processes show that instead of favoring the farmers, the policies are enriching the agribusiness companies. So, we should not be shocked to find that the top 7 Multi National Company's (MNC's) are in the food sector.

Trying to understand the agribusiness strategies, peeping into the WTO negotiations would therefore, present a partial picture of state of things. Further, it is difficult, nay possible to devise ways to understand the why and what of the policies framed at WTO-AoA and consequently counter these.

Box-13

Colonizing the food chain

"For people who want to buy corn, there really isn't much choice but to come to us."

Bob Kohlmeyer, former manager, Cargill Corporation

'We are the flour in your bread, the wheat in your noodles, the salt on your fries. We are the corn in your tortillas, the chocolate in your dessert, the sweetener in your soft drink. We are the oil in your salad dressing and the beef, pork or chicken you eat for dinner. We are the cotton in your clothing, the backing on your carpet and the fertilizer in your field.'

Commodity trading TNC Cargill, corporate brochure 200152

a) The Invisible Hand!

Infact, the formulation of the Agriculture text –AoA by the agribusiness giant Cargill in the run up to the Uruguay Round raises concerns over the issue of 'making trade more fair and work for the poor'. Dan Amstutz, a former Cargill Vice President, working in the USTR's Office is credited for the proposal that became the WTO AoA.

For the first time ever in history agriculture has become a 'trade-matter', agricultural goods have been turned into commodities to be produced as tyres or shoes are, complying with the same standards that apply to these.

b) The Money Trail

Specific sector contributions spike at certain periods, correlating with Congressional consideration of major legislation of interest to particular industries in most of the Industrial countries. Election time at US also shows up the unholy nexus of self-interest. Agribusiness contributions in US elections rose disproportionately prior to adoption of the Farm Bill, 1996.

Table:2 What the Agribusiness contributed in US elections?

Agribusiness Industry	Funds donated in 1996
Food processing and sales	$10,571,149 (1994 –$6,851,622)
Dairy	$10,581,141 (1994 –$ 2,267,592)
Sugar	$3,510,923 (1994 - $ 2,390,971)
Fruits and vegetables	2,172,340 (1994 - $ 1,580,196)

The Act encouraged greater concentration of power in hands of agribusinesses. In the July framework the government has effectively shifted all its promised money into the expanded Blue Box, while 61 per cent of the money would be funneled to the 15 per cent biggest factory farms. It rips off the benign façade that US government would like its farmers to believe in caught in the public commitments vs. Private fortunes it intends to bestow on the MNC.

c) TRIPS – in whose favor?

It is a better-known fact that Monsanto was a primary driver along with other MNC's like Dupont, Pfizer, GE and Hewlett Packard in lobbying GATT negotiators extensively to draft the TRIPS text in their favor. The manner in which US have been pushing for enforcement of Intellectual Property Rights (IPR) rules calls into question the ulterior objective of establishing a uniform and universal IPR regime. It is resorting to considerable diplomatic pressure to bully other countries to achieve this.

Box-14

US issues 'trade embargo threats' to bring in a universal TRIPS regime!

US has a record of issuing threats to impose trade sanctions against countries under its infamous Super 301 clause, if they don't improve their IPR enforcement.

In 1997, the U.S. unilaterally reimposed import duties on $260 million of Argentine exports in retaliation for Argentina's refusal to rewrite its patent legislation to the satisfaction of the US Trade Representative Office. In the past several years, Washington has repeatedly threatened Ecuador with the possible loss of $80 million worth of income from its fish exports to the U.S. in order to force ratification of a bilateral agreement on IPR. India, Pakistan, Ethiopia, Brazil, and many other countries have similarly faced Super 301 threats about their patent laws.

According to WTO, unilateral exercise of trade sanctions is illegal hut no country has faced up to challenge it in fear of trade embargoes that might seriously cripple their economies.

Issuance of property rights on life forms including plants has remained one of the most contentious areas in the Dunkel Draft. The proponents maintain that it would protect investments into research and stimulate innovation by granting incentives and preventing piracy. Its capitalization however, comes in conflict with community rights and country's commitments to provide food security as the plant resources and seeds have been developed in the public domain – been part of traditional and public knowledge of the farmers of the third world – where maximum biodiversity lies. Most dangerously, it grants monopoly rights of plants resources and seeds to few – who can spend more in R and D – naturally, the agribusiness with the public research infrastructure either weak or in the process of being dismantled following the mandate of GATS. For instance, Consultative Group on International Agricultural Research (CGIAR), which governs the 16 international agricultural research centres for 'public good', has Syngenta on its board, giving the company access to the world's biggest rice germplasm collection. The Doha Declaration stated that **TRIPS would be reviewed. However, the issue did not come out strongly during the GC meeting. To the pleasure of agribusiness world, this issue is also now consigned to history.**

Exclusionary rights to agribusinesses over foodgrains among other agricultural commodities will hold the farmers ransom to the manipulative economics of farming by determining the price of important seeds that previously lay in the public domain. Top six corporations control 74 per cent of all patents on genes of wheat and 47 per cent of all patents on genes for sorghum. In Brazil, which has some of the richest biodiversity in the world, large multinational corporations have already patented more than half the known plant species.

Box-15

They plan to patent what you eat - Rice patented by SYNGENTA!

The race is on to control the seed that flourished civilizations by ensuring food security-rice. It has been cultivated for centuries in 113 countries and over 3,000 million people rely for livelihood and sustenance.

Syngenta has claimed ownership of the grain. Monsanto, made international headlines in April 2000 by offering to share its working draft of the genome map with international researchers sequencing the rice genome.

The profits reaped with exclusive control over a seed – which can be rightly termed, as biopiracy- over which 3,000 million people depend is anybody's guess.

Syngenta has sequenced more than 99.5 per cent of the rice genome; it has made clear that it will restrict access to the genomic map of rice and expects proprietary control over any research carried out on rice. Attempts had begun long before to gain patent rights over this seed. A large number of genes of rice had already been patented by DuPont, US with 95 patents, followed by Mitsui, Japan, with 45.

TRIPS therefore, is a champion of concentrated ownership with a tag of profit attached to it. This fact in itself emerges as the most palpable threat to food security of majority of developing countries where more than 2/3rd of polpulation lives off farm and most of which are small and medium farmers limiting their effective purchasing power.

The effect of TRIPS is already showing on the huge buffer of biodiversity of India increasingly appropriated by the first world.

Box-16

Biodiversity of India hijacked !

London's Observer reported that there were more than 100 Indian plants awaiting grant at the US patent office. And patents have already have been granted to uses of Amla, Jar Amla, Anar, Salai, Dudhi, Gulmendhi, Bagbherenda, Karela, Rangoon-ki-bel, Erand, Vilayetishisham, Chamkura etc, **all household Indian names.**

It shows the horrendous scale of bio-piracy in play by the western companies and governments- the First World's knowledge pirates- unveiling the 'blinker of protection' the TRIPS beholds.

From a distance everything appears alright with having a Patents system in place. But essential conditions for operating a successful patent system would necessitate high technology research, active investors and efficient patent office, trained patent examiners and lawyers and an effective judicial system, none of these conditions the developing world satisfies where most of the bio-diversity is located.

For example the present amendments made to the Indian Seeds Act, like compulsory registration, will prevent farmers from using farm-saved seeds. At present more than 85 per cent of seeds are controlled by Indian farmers.

Agriculture negotiations at WTO we see, enshrine the principles, agenda and means that suit agribusiness interest destroying farmers' ability to maintain a sustainable livelihood and countries' democratic commitments to feed the hungry, maintain food sovereignty and take strategic decisions independently.

Fear the Enormous 'Size' of Agribusiness!

Especially frightening aspect of the growth of agribusiness had been the tremendous concentration of wealth and power in the hands of agribusiness. It is emerging as a powerful clout controlling the production, procurement and movement of food grains across the globe.

A *few chosen crops* receiving enormous subsidies and support from the government in the industrial world. It includes those ones that dominate the exports and serve the commercial and strategic interest of the country and its agribusiness companies. Over the years, these crops are under the strategic control of few agribusinesses. Two decades of economic liberalization has enabled 'agribusiness' with overarching size and power. Nestle profits in 2002 alone were greater than Ghana's GDP for that year. Wal-Mart's profits were bigger than the economies of Ghana and Mozambique combined. The concentration of the entire food chain in the hands of a few agribusinesses through 'horizontal and vertical integration' has been successful in creating an oligopoly with no space for price discovery at the various phases of production.

Once the noose is tightened around 'food' it is up to the whims of agribusinesses whether to allow or disallow the exports or make available the kind of food they want. It places them in an excellent position to affect the international prices suiting their desirability by rendering farming communities and consumers vulnerable.

a) Introduction of new tech-GM reducing world hunger –

"You do not expect The Gap to manufacture clothes, Adidas to manufacture sneakers or IBM to provide computers for people earning $1.00 a day or less; **likewise you would not expect ADM ('supermarket to the world') to produce food for them.**"

Richanrd H Robbins in Readings on Poverty,
Hunger and Economic Development

The 1974 UN World Food Conference in Rome governments adopted the Universal declaration on the Eradication of Hunger and Malnutrition, the emphasis has remained on the production-shortfall perspective disregarding the political nature of the problem. Since, the global acceptance of the term 'biotechnology' in the final declaration the biotech industry has not wasted any time in pushing genetically engineered food on to the market.

Box-17

Does a lie told hundred times become a truth?

During the summer of 1998, the British Media was treated to a 1 million pound advertising campaign from Monsanto, genetic engineering's most vocal proponent that spends over $ 50 B for feeding the public with advertisement blitzkrieg. This campaign was later criticized by the UK advertising standards Authority, which ruled in July 1999 that Monsanto had used 'confusing' and 'misleading' claims. The public was told by Monsanto that worrying about starving future generations won't feed them and slowly its (GE) acceptance is a luxury our hungry world can't afford.

With increase in the number of chronically hungry people in the world since the early 1990's has become the 'human face', to shroud the original motives of the biotechnology to control the food chain by colonizing it. Monsanto, Dupont, Syngenta continue to advocate crops that even if planted over 100 million acres, will have very little to do with world hunger. In fact, most of the fields are planted with transgenic soybeans and corn that will feed the livestock that has an annual market of $3,72,888 M.

Illegal trials of GE foods in developing countries is also indicative of the hurry agribusiness have. There have been field trials in South Sulawesi for Bt cotton, Bt Corn and Round Up Ready soybeans and in East Kalimantan for acacia and eucalyptus. The government department continues to deny this claim, but there is enough evidence to suggest that indeed this has happened.

Even in India, during the first quarter of 2003, the Genetic Engineering Approval Committee (GEAC) formed under the Ministry of Environment & Forests (MoE & F) cleared Bt Cotton (Cottonseeds with bacterium bacillus thuringiensis). The GEAC gave monopoly rights to Monsanto, US MNC, and its Indian partner, the Maharashtra Hybrid Seeds corporation (Mahyco), in spite of the legal challenges to its planting pending in Supreme Court. Despite the higher costs of seeds, 4 times the common cotton seed- there have been spectacular crop failures in all the major cotton growing states- Maharashtra, Gujarat and Madhya Pradesh.

The most appalling aspects relating to use of GM food, except the ethical debate around manipulation of live forms and the systemic issue- is the fact that it creates absolute dependency on agribusinesses for seeds and pesticides. Even the non-GM crops of the same kind may get genetically altered when grown in the vicinity of GM crop especially with cross-pollinating crops. Further, the laws related with use of GM Food is mounted in a manner to effectively abrogate the rights of the farmers to use their seeds, save them for replanting under the guise of exclusive proprietary rights. Ex. Monsanto has a greedy hunger for Terminator Technology patents (seeds that become sterile after one year of planting) and guaranteeing them an annual market of farmers in need.

Box-18

Compensate the agribusiness even if their technology pass on to your field following the laws of nature!

Percy Schmesier of Canada was charged in a legal suit by Mosanto that it is growing Monsanto's canola without permission. Percy was growing non-GM canola adjacent to GM canola farms. In the suit that Monsanto won, it claimed a compensation of 1,40,000 $ (Rs. 6580000) for violating its proprietary rights. Percy who is a small farmer has been forced out of his fields and home in order to pay this huge amount which is now a legitimate claim of Monsanto.

The case implies that GM crops significantly encumber the prospects of independent decision making of farmers growing non-GM crops regarding the kind of crops they would like to grow.

The President of Canola Council of Canada -that sought to represent canola-farming community- provided the required muscle for corporate kingpin Monsanto by stating "the decision demonstrates that companies have the right to charge for the use of their intellectual property."

The financial benefits from genetic modification flow mostly to the agribusiness corporates followed by the very largest agricultural producers who are efficient and can scale their capital-intensive farming operations. It puts the local agricultural economies at a tremendous disadvantage. In fact, although many biotech companies claim that GE foods will help alleviate hunger and increase food security, their acts of patenting the knowledge and food that has been developed over centuries itself may be a threat to food security.

Box-19

Is basmati – from *vasna in Sanskrit* or straight from Texas?

RiceTec have created a genetically modified Basmati rice, while selling it as normal Basmati — and it was not against the law, either. In fact, four of the patents were withdrawn in June 2000, when the Indian government formally challenged the patent. Towards the middle of August 2001, three patents were awarded to RiceTec — to variants called Texmati, Jasmati and Kasmati, all cross breeds of Basmati and American long grain rice, while RiceTec was also given permission to claim that its brands are 'superior to basmati.'

b) Unwieldy powers of agribusiness- Vertical integration- from seed to selling the final produce.

"What you are seeing is not just a consolidation of seed companies, it's really a consolidation of the entire food chain."

Robert Fraley, Executive Vice President, Monsanto, 1996

The statement coming from an agribusiness giant Manager aptly sums up the motives of corporate colonization of the food chain. When juxtaposed with the promises and acceptability of biotechnology and international legal fixtures (patents of TRIPS) that all the countries are required to honor leaves no room for any confusion regarding the teeth they are equipped with.

Concentration in few hands:

Few Transnational corporations such as Monsanto, Cargill, Nestle and Wal-Mart have come to dominate supply chains for food and agricultural goods from seeds to the Supermarket shelf as well as the inputs one need to grow the crop. Further, a wave of mergers, acquisitions (see Annexure 2) and business alliances in the agrifood industry has ensured concentration of the enormous market power amongst these corporations.

Instead of creating conditions of free market, it effectively creates oligopolies, with untrammeled market power in the hands of agribusiness deciding and defining the rules of international trade.

Box-20

Corporate concentration in national and global agrifood markets

1) Seed and agrochemicals

- Six TNCs – BASF, Bayer, Dow, DuPont, Monsanto and Syngenta – now control 75-80% of the global pesticides market, down from 12 corporations in 1994.

- DuPont and Monsanto together dominate the world seed markets for maize (65%), and soya (44%).

- Monsanto controlled 91% of the global genetically modified (GM) seed market in 200112 and took over 60% of the Brazilian non-GM maize seed market in the space of two years (1997-1999).

- Bayer controls 22% of the Indian pesticide market.

2) Bulk commodity trading

- Two US TNCs, Chiquita and Dole Foods, control almost 50% of the world trade in bananas.15

- Archer Daniels Midland (ADM), Barry Callebaut and Cargill dominate Côte d'Ivoire's cocoa processing industry, where 95% of processing capacity is controlled by TNCs.

- Fyffes, the largest fresh produce distributor in Europe, is the sole exporter of bananas from Belize and Surinam.

- Three companies – ADM, Cargill and Zen Noh – handle over 80% of US corn exports.

3) Food manufacturing and processing

- The top ten-food processing companies account for 37% of sales by the largest 100 companies in the industry.

- Three companies control 85% of the world's tea market, and Unilever is the world's biggest tea supplier.

- Nestlé has established a virtual monopoly of the UHT milk market in Pakistan, and controls around 80% of Peru's milk production.

- Four companies, including Cargill and Tyson, control 81% of the US beef packing industry.

4) Food retailing

- The 30 largest food retailing corporations account for around one-third of all world grocery sales, 24 with the top 10 amassing combined sales of US$649 billion in 2002.
- Wal-Mart controls 40% of Mexico's retail sector.26
- Thirty-six per cent of all food sales in Thailand are now channeled through TNC retailers, where Tesco had 48 outlets and sales of around US$1.2 billion in 2003.27
- Asda Wal-Mart, Safeway, Sainsbury, and Tesco account for 75% of food sales in the UK.

Pushing up the farm input prices:

Farmers around the globe are also facing highly concentrated markets when they buy agricultural inputs, particularly for commercial seeds and agrochemicals such as pesticides and herbicides. The costs of these inputs have been rising in recent years, leaving commercially-oriented farmers squeezed from both sides: paying more to agrifood companies for inputs, but receiving less for their produce from buyers'- a cost-price squeeze.

Before agricultural markets in developing countries were liberalized, many farmers relied on government support for agrochemicals. Now these subsidies have been reduced or removed altogether, farmers' costs for these inputs have increased. Meanwhile, the World Trade Organization's rules on intellectual property rights have facilitated concentration in the commercial seed industry. WTO rules also mean that new commercial seeds are often more expensive than traditional varieties, as they allow companies to charge royalty payments and issue restrictive contracts to farmers on protected crops.

Box-21

Paying more money for lower yields!

Field research in India in 2002-2003 found that farmers using Monsanto's genetically modified Bt cottonseeds paid nearly 200-300 per cent more for them than traditional non-GM varieties. Producers in the Nalgonda district in Andhra Pradesh paid up to 1,600 rupees for a 450-gramme packet of Bt cottonseeds, of which the royalty component was 1,200 rupees. In comparison, a packet of traditional cottonseed cost 450-500 rupees. Despite the higher costs, some Bt cotton yields were lower than those of local varieties. A 2003-2004 follow-up survey of 164 cotton farmers in 27 villages in Andhra Pradesh found a small reduction in pesticide use among Bt cotton farmers. However, for small and medium-scale farmers, the yield difference between Bt and non-Bt users was negligible. Having paid a higher price for Bt seeds and spent more money on their cultivation, small and medium-scale farmers earned on average 1,526 rupees (US$35) less per acre than their non-Bt counterparts.

Reduced share of producers in the final produce as more and more farmers get integrated with International Trade

Increasing levels of concentration in the agrifood sector means that farmers are selling their goods to a progressively smaller number of companies. It gives the companies' enormous leverage to manipulate market price and wielding enormous bargaining power over producers to the extent of causing a spiral effect on the farm gate price (FGP).

Box-22

The power of monopoly!

The UK based MNC supermarket Asda Wal-Mart used its bargaining power over suppliers to negotiate price cuts for bananas in 2002 and brought down the retail price of banana from 1.08 to 0.98 per kg. Other supermarkets followed suit and demanded deep price cuts from their suppliers. By 2004, bananas were retailing at 0.74 $ per kg in UK supermarkets. Only 12 per cent of the retail price for banana stays in the countries –a crucial source of livelihood for millions of producers and workers in Latin America and the Caribeean- even though very little processing takes place off the farm. For every 1.0 pound (Rs. 70) that shoppers spend on loose Ecuadorian bananas, around 40 pence goes to the supermarkets and the plantation workers receive just 1.5 pence (Rs. 1.05)

Despite dramatic falls in the prices for important farm goods bought by TNCs, a ubiquitous feature since the 1990's- such as coffee, rice, sugar, milk, wheat and tea, consumers often do not pay less for these products. They are in fact, paying more implying that the corporates are progressively netting greater profits at the cost of pushing the rural livelihoods to the hilt.

The gap between farm and retail prices is growing, and is wider in countries where TNCs have concentrated market power. Intense competition and market saturation in the north have prompted agrifood corporations to expand into Southern markets in search of higher margins and sales as well as for cheaper sources of labor and raw materials. TNC in order to push down the prices also pit farmers of one country against another. As new markets in commodities are explored, ***the 'relative' labor advantage of the southern countries pushes lot of farmer into competitive crop cultivation.***

The World Bank estimates that the farm gate price and retail price gap is costing commodity-exporting countries more than US$100 billion each year.

Box-23

Value is always added at the end of the forward chain.

A large number of farmers in parts of Andhra Pradesh and Karnataka are engaged in cultivation of gherkins. It is extensively consumed in form of pickle in Northern countries. ACE and Global Green (owned by the Thapar Group) are two contract firms in the region that are also involved in its processing.

In the past, both of these firms, in contravention of the norms of the 'contract', have repeatedly refused to buy- back the produce citing various reasons. They therefore, do not bear any risk either of the production or of the market, which the farmer is eventually forced to take. The unit price (per kilogram) for gherkin, received by the contract firms ACE firm and the Global Green firm is Rs. 22.9 and Rs.57.6 respectively.

The retail price of pickled gherkins in Northern countries averages between '$ 4 -5 per bottle of 250 grams' (Rs. 210 approximately). In India, Global green sells a bottle of gherkin pickle at Rs.100 for 500 grams (Approximately two dollars). On an average the gherkin grower receives Rs. 7 ($ 0.15) per kg, conditioned upon the buy-back of the produce- which is not always guaranteed. The growers' share therefore in the final retail value gherkin pickle is an abominable 0.008 percent.

Not just so, the grading system of gherkin is so complicated that most the times their gherkins qualify for the worst or average grade which has lower market value.

Whereas the policies favoring corporate are inaugurated as pro-farmer, the benefits do not really trickle to the farmer. The producers who are paid the least in the market bear both the market as well as production risk. However, it is at the end of the chain where *most of the value is added and where corporate interests dominate.* It results in a win-win situation in the zero- sum game where the hardest hit are the small and medium farmers.

With the corporate concentration on the entire food chain and the extent of vertical integration loss in one aspect is often offset by profits in another. Using convenient patent laws as a system, the TRIPS as an instrument and WTO as the enforcing authority, the industrial world is all set to control the food chain to the detriment of over 1.3 billion small farmers of the South who derive their livelihood from agriculture

Table:3 What corporate concentration is doing to farmers across the world?

Areas/Agribusiness firms	Core activities	Major Issues	Key impact on farmers
Genes, seeds and chemical inputs: SYNGENTA, MONSANTO, DUPONT, BAYER	Seed and Agrochemical Production	• Control over intellectual property • Promoting technologies inappropriate for poor farmers • Eliminating sustainable agriculture alternatives	• Loss of right to save and exchange farm-saved seed • Increased input costs • Pesticide poisonings • Debt cycle
Food and fibre trading raw processing: ADM, LOUIS DREYFUS, BUNGE, CARGILL	Trading and primary processing of raw materials	• Use of market power to push down prices • Unfair buying practices	• Lower incomes • Exposure to volatile markets • Business costs and risks passed on to producers • Exclusion from markets • Business costs and risks passed on to producers
Further processing manufacturing: NESTLÉ, KRAFT FOODS, UNILEVER, PEPSICO	Processing food and Beverages	• Use of market power to push down prices • Setting stringent standards • Unfair buying practices	• Lower incomes • Business costs and risks passed on to producers • Exclusion from markets
Supermarkets: WAL-MART, CARREFOUR, METRO, TESCO	Food Retailing	• Use of market power to push down prices • Setting stringent standards • Unfair buying practices	• Lower incomes • Business costs and risks passed on to producers • Exclusion from markets

Agriculture Services: Under GATS Purview

'Decentralization is the first step in the long road to privatization.'

World Bank Study, 1994 Feder et al in Agriculture Extension, Generic Challenges and some ingredients for solution.

GATS action in the agriculture sector is already been visibly felt in parts of India. Simply stated it would mean allowing 'rights' of foreign private sector participation in all the services related with agriculture, crucially:

Land Ownership, government agriculture extension services (irrigation, electricity, Agriculture Extension Officers etc.), rural development policies (Marketing Act, Setting up of Food Corporation of India, Public Distribution System), agricultural cooperatives to spell out a few areas.

A well-heeled and politically connected network pushed governments to accept the GATS agenda including the agriculture sector. The GATS pusher include MNC's like Dupont, Monsanto, Canola Council of Canada, Syngenta and Canola Council of Canada among others. While only 5 per cent of world's extension services remain in the hands of the private sector, it opens up a plethora of opportunities for agribusiness and service delivery MNC's if the restriction is lifted. The process has begun.

Box-24

GATS is in action –Are you ready to cough up more money?

The World Bank has sanctioned on 7th September 2004, a new loan for Madhya Pradesh water sector Restructuring Loan. of Rs. 17.82 Billion. The project elements include elimination of subsidies in the area of agriculture and increase in the tariffs of water. Water User Association formed, as an instrument to manage their own water harvesting structures would act as the distributors. Meaning that they would be responsible for billing and collection also. They would be affectively shielded, as these community associations would bear the brunt of the wrath of the local population.

Trade in agriculture services has already seen strategic attempts to undermine the legal foundation of entitlement in the pursuit of public interest by modifying the structure of regulated markets for agri produces (by abolishing the Agriculture Produce Marketing Act, Minimum Support Price provided for crucial commodities); dismantling the Food Corporation of India (by citing the enormous costs of maintaining this structure); winding up the public distribution system (by successfully introducing the BPL and APL divide first and now the talks of issuing food stamps);introducing land lease markets (handing over large tracts of agricultural lands to private companies for contract and corporate farming) among a long list of services that would be unraveled in the days to come.

In fact, a beginning in this direction has already been made. A large number of companies including Mahindra and Mahindra, Reliance, Bharti have already plunged into agricultural services- provision of implements and inputs, land leasing etc. International Finance Corporation (IFC) is funding these companies in a big way under 'emerging market development' programme. Further, it is already word of mouth that the developed world wants India to become the vegetable basket of the globe ensuring year round cheap supplies of vegetables to the supermarkets of the north and the elite centers of developing countries. With this functional truth, it should not be difficult to fathom the rationale behind diversification by sate governments prompted by the loans from multilateral institutions. For instance in Orissa (DfID), Madhya Pradesh (World bank), AP (World bank, DfID), West Bengal (WB) and Uttaranchal (WB), a large amount of funds have been funneled through IFI's towards this end.

Even the mainstream economics have bought this idea that it would provide India with the necessary forex that it needs to trade to obtain petroleum among other commodities. It is with this approach that Agri Processing Zones have been set up through out India to push production of particular vegetables and fruits in every state.

Agenda For The Future

The proposals now in play reflect the domestic politics of WTO members, especially developed country members, and the export interests of multinational agribusinesses that trade in commodities and processed food.

The obfuscating conditions under which the July framework proceeded dominated by muscle flexing and arm twisting also reveal that how countries across the globe are becoming subservient to the demands and wishes of the powerful northern countries. The Hong Kong Ministerial scheduled on December 2005 presents UPA with a rare opportunity to put a hardened stand in favor of the population, mostly farmers that actually voted it to power. In fact, it is committed to ensure the welfare of farmers and safe them from the vagaries of the international trade and make the terms of trade favorable to our farmers. Keeping these concerns in view, the demands of our government at the fifth Ministerial must include:

Opposing the double standards of EU/US:

Put a restrictive cap on the hitherto undisciplined Green Box, which is also known to distort trade. Removal of Amber Box from the Domestic Support category as it is highly trade distorting. Further developed countries force open the markets of developing countries they must reduce their tariffs. Introduction of the 'sensitive product' category in itself is challengeable.

All sorts of export subsidies should be eliminated:

Developed countries had agreed to eliminate all forms of export subsidies by an 'end date', which has not been defined. Pressure must be mounted on it to articulate it in terms favorable to developing countries.

Safeguard food security: Foundation of India's sovereignty lies in recognition to allow the protection of Indian agriculture through the designation of 'special products' (crops strongly related to the country's food security) and the creation of a special safeguard mechanism that would create a responsive and effective system to protect agricultural markets from import surges, on which the July Framework remains mute. These proposals alone cannot ensure food security, but they offer important protections against imports, whether dumped or not, that undermine national productive capacities.

Democratize the process:

Good agreements from bad process are nearly impossible. While the U.S. and a few other WTO members congratulate themselves on the recent meetings in Geneva that resulted in a framework agreement on the Doha round of trade talks, at least 119 of the 147 member countries were largely excluded from the negotiations. Many of them have expressed frustration with the "informal," undocumented and unaccountable proceedings. The negotiations continued a long-standing approach, of allowing only a handful of countries to reach agreement, and then giving the full governing body a short time (in this case less than 24 hours) to consent to a done deal. The WTO needs clear rules for official negotiations that guarantee effective participation of all 147 members beyond the exclusive 'green room meetings'.

Acknowledge the power of G-20:

It is widely believed that the unity of G-20 although transient, successfully broke away the monopoly over trade negotiations by the EU, US and Japan. However, the group in efforts to safeguard individual interests showed apparent cracks during the Geneva framework. The north assumes that the group has been busted. In fact, it was very crucial for the North to break G-20 in order that any opposition to proceed with its trade concerns at WTO is stifled. The G-20 needs to recognize that stringent united opposition to US, Japan and EU combine policies is the only weapon in their hands to forcefully submit the North to their concerns that involve millions of their farmers. ***G-20's unity is the 'achilles heel' of the North-*** the weakest link in trade discussions- that crucially undermines the power of the North. Although the specific agricultural concerns of G-20 member countries are divergent, the need of the hour is to establish a broader united platform with mutual commitment amongst G-20 members that would speak in one voice and echo generically similar concerns that involve livelihood issues, strategic sovereignty and fairness in international trade. This is the only means to ensure and achieve a favorable and long lasting deal for developing countries as a whole.

The **long-term agenda** however, must focus on the root cause of inequity prevailing in international trade rules. The noose is tightening around India and other developing countries as they are forced to play to the tunes of agribusiness majors, governments of the northern countries, IFI's and WTO. It is in the process to weaken the position of those demanding rapid liberalization especially US, Cairns, lobby from TNC's, and ideology from WB/IMF that equitable terms of trade can be established. It is very crucial therefore, to devise a long-tern strategy that understands the inter-connectedness among these and attempts to undermine their influence on the supposedly democratic forum of WTO.

Ban on dumping:

Current WTO rules tackle dumping by allowing countries to tax imports that are sold for less than the price in the home market, but this levy is insufficient and difficult to apply. Extensive and chronic over-production of many commodities have depressed prices and made dumping endemic. Dumping margins should be measured against production costs and a socially optimal profit, not against easily manipulated domestic prices.

Few developing countries can protect their producers with subsidies. They should be allowed to use border measures, such as tariffs, instead.

No obligation to import food grains:

According to AoA document developing countries have an obligation to import 3 per cent of the total consumption of food grains. Evidently, it only ensures market access to the MNC's of the industrial world. This runs contrary to the countries right to determine for them that what they wish to import. For India, already a food-surplus country, such moves could be disastrous. This needs to be abrogated from the ambit of AoA.

The right of poor countries to have the power to decide the pace and scale of opening up their own agricultural markets to ensure poverty reduction.

Regulate market concentration.

Vertical and horizontal concentration in global commodity markets is a primary cause of market distortion. Possible policy responses include an international review mechanism for proposed mergers and acquisitions among agribusiness companies that are present in a number of countries simultaneously. At a minimum, transparency requirements now imposed on state-trading enterprises should be extended to companies with 20 percent or more of a national or global market in a given commodity. Similarly, joint ventures based on monopoly rights conferred by increasingly easy to obtain patents also require better regulatory scrutiny.

Box-25

WHAT MUST THE FARMERS GROUPS DO?

The strategic foundation of Indian agriculture has begin to crumble under the complicity of multilateral institutions, the powerful influence the Northern governments wield and the MNC's. It has initiated a process that is bound to irreversibly damage rural communities in India endangering their rights to save and exchange seeds, decide what crop to grow and how & whom to sell? The framework in practice would see millions of Indian farmers unable to cope with the extent of dumping that would coerce them alter their crop-patterns, while increasingly experiencing a cost-price squeeze.

The following are some of the measures to resist the continuous onslaught on Indian agriculture:

- Compel the Ministers to be **accountable** and **answerable for what they say and commit in the WTO Ministerial or General Council meetings.** The government must hold discussions with farmer leaders, agriculture experts, trade analysts and farmers organizations clarifying its posture on various agricultural issues slated to be negotiated at subsequent meetings at WTO. The onus of calling the meetings (both before and after the WTO meetings) must rest with a Committee that would include both junior Ministers and farmer leaders. Force the government must clarify its stand on various contentious issues viz. subsidies, patents, PDS, private sector participation in services.

- Government must expediously **issue a white paper (as a public document) under a *suo-moto* procedure** on how the imperious agriculture policies followed in the past decade has affected area-wise production/ diversification away from the essential foodgrains, dwindling farm incomes, reducing per capita incomes (more apparently seen in case of small and middle farmers), abandonment of farming by thousands of farmers & mass out-migration of these farmers into cities in search of petty jobs. The white paper must enumerate the benefits vs. the damage it has brought to Indian agriculture.

- On issues that stake the livelihood of over half of Indian population, **any Bill affecting the fate of farmers must be discussed in the public domain including eliciting the State Assemblies opinions,** it must be widely disseminated among the farmers groups, agriculture experts, analysts and farmers. Pressure must be mounted on the government to this end.

- Oppose attempts towards **corporatization of agriculture.**

- **Prevent** any attempts to **scrap or dilute the Agriculture Produce Marketing Act** (APMA) (that does not allow private players to purchase agricultural produce from farmers in bulk) / create **Land Lease Markets/** scrap **Ceiling Acts** (that will allow private companies to purchase hundreds of hectares of land- both farm and non-farm)/ scrap the proposed amendments to the Seeds Bill (this will prevent the farmers to use farm-saved seeds as fit would work with the mandate of compulsory registration) which dilutes a number of pro-farmer provisions provided in the Protection of Plant Variety and Farmers Rights Act, 2001.

These measures frontally attack the very foundation on which contract or corporate farming operates.

- The approval given for cultivation of genetically modified cotton in western India must be immediately cancelled.

- **Resist** any moves by the governments to **dismantle FCI/ State warehousing** on the grounds of inefficiency or drain of forex (even a small market share in India would mean a substantial market for the agribusiness). Financial requirement of State warehousing units must be met in order that these become self-reliant institutions that are not strapped of funds.

- The farmers groups must rally around the point that 1. The **input subsidies** given to the farmers must not be purged. In fact these must be raised to a level where the farmers may comfortably eke out a decent living. 2. If the government so desires that the Indian farmer must compete with the Northern countries farmers the **income and production support that the Indian farmers receive must equal their Northern counterpart's.**

- Intensify **Campaign around 'Right to Food'** it is part of 'right to life' (Article 20) granted by the Indian Constitution. Public opinion should be mounted to take agriculture out of WTO (based on Article 20) as the agriculture policies pursued at WTO are essentially anti-farmer, anti-constitutional and sidesteps the fundamental rights of a large majority of Indian population.

Annexure-1

Glossary of WTO-AoA

GATT: The General Agreement on Tariffs and Trade. First signed in 1947, the GATT was the basis for successive rounds of negotiated reductions on tariffs. The most recent version of the GATT was signed in Marrakech in April 1994.

WTO: The World Trade Organization. A permanent forum for negotiating multilateral rules for international trade, established as one of the Uruguay Round agreements at the trade ministerial held in Marrakech in April 1994.

The Agreement on Agriculture (AoA): One of the Uruguay Round agreements signed by governments in 1994 in Marrakech. The AoA established rules for agricultural trade for all WTO members. The AoA's core objective "is to establish a fair and market-oriented agricultural trading system." Its implementation period was six years for developed countries and nine for developing countries, starting with the date the agreement came into effect: Jan. 1, 1995. The AoA built in a provision for its own review and renewal. That renegotiation is now underway, under the terms set at the fourth WTO ministerial conference in Doha and the Framework Decision agreed at the WTO General Council on Aug. 1, 2004.

The Doha Round: The WTO held its fourth ministerial conference in Doha, Qatar, in November 2001. Trade ministers there signed the Doha Agenda, which laid out issues and a timetable for a new round of trade agreements. The AoA was among the agreements to be renewed as part of the Doha Round. The initial deadline for agreement on all the issues was January 2005. However, none of the Doha deadlines has been kept and 2007 is now the suggested likely date for completion of the round. The Doha Agenda included a provision that the negotiations lead to a "single undertaking" meaning that the series of agreements on various issues (agriculture, services, intellectual property, etc.) will be signed as one. Countries must accept or refuse them all. The Uruguay Round was also a single undertaking.

Dumping: Dumping is the export of agricultural commodities at prices below the cost of production.

Dumping is formally prohibited by Article VI of the GATT. The most common definition of dumping at the WTO is the sale of exports at prices below the prevailing prices in the domestic market. Trade officials presume dumping is a good thing for the importing country (they are getting cheap merchandise) unless the country complains (usually because the cheap imports are threatening domestic producers). So it is up to countries to put in place the national legislation they need to protect themselves from dumping, and the onus is on the country receiving the dumped production to prove harm to its domestic producers before anti-dumping duties can be imposed.

Tariffs: Tariffs are taxes raised on imports as they enter the country. They can be set *ad valorem*, meaning that the level of tariff is determined by the value of the import (if a ton of wheat costs $100, then an *ad valorem* tariff of 5 percent would add a tariff of $5 per ton of wheat imported). They can also be specific, meaning that a $5 tariff is levied on every ton of wheat, whether the wheat costs $80 or $120 per ton. Like other forms of taxation, tariffs raise money for governments.

Tariffs, bound and applied: Under agreements such as the AoA, governments agree maximum levels for the tariffs they will apply. This maximum level, or ceiling, is called the bound tariff rate. However, many governments bind their tariffs at a level higher than they actually use; applied tariffs are the tariff levels in use. The difference between applied and bound tariffs is called water; if there is a big gap, there is said to be a lot of water in the tariff. Negotiated tariff reductions usually apply to bound, not applied tariffs. So if the applied tariff is only half the level of the bound tariff, then a cut of 20 or 30 percent will make no material difference to market access, as the actual level of tariff applied remains unchanged.

Non-tariff barriers (NTBs): Tariffs are not the only way to restrict or control imports. Non-tariff barriers work to favor domestic producers without generating income for the government. They include measures such as quotas (e.g., only 100 ton of wheat per year can be imported, regardless of price or demand) and variable levies (e.g., the tariff level changes to ensure that domestic prices remains stable—the levy rises when world prices fall and drops when world prices rise). Another example of an NTB is a requirement that a given percentage of any product sold on the market be from local providers. This obliges would-be importers to establish relations with local businesses. Generally, NTBs increase local producers' revenue and make no contribution to government revenue.

Tariffication: A verb invented to describe the process of converting non-tariff barriers, such as variable levies and quantitative restrictions, into tariffs. Uruguay Round negotiators judged this exercise to be essential to create transparency (tariffs are more predictable for the would-be exporter and also indicate the level of protection in an economy more clearly) and to facilitate subsequent reductions of trade barriers. Negotiating an across-the-board reduction in a tariff is much easier than negotiating restrictions on dozens of different kinds of NTBs. The rationale serves exporting interests and reduces the flexibility

available to governments to support domestic producers. However, tariffs are also less susceptible to corruption than most NTBs. Tariffication resulted in very high tariffs in some cases, particularly where a supply management program (such as for Canadian dairy producers) had tightly restricted market access by volume to protect the integrity of the domestic system.

Tariff rate quotas (TRQs): Because tariffication resulted in some spectacular tariffs (upwards of 300 percent), TRQs were put in place to force a minimum level of market access. This was achieved by establishing an amount of imports, equivalent to 5 percent of domestic consumption under the AoA rules, which had to be let in at a tariff that would make the goods competitive with domestic production. That is, the tariff had to be zero or very low. TRQs were intended to create additional pressure to open markets on countries that established high tariffs as a result of tariffication.

Special safeguards (SSG): Article 5 of the AoA specifies that countries that "tariffied" could reserve the right to apply safeguard tariffs to protect against sudden import surges. A safeguard tariff is intended to make the affected imports less attractive to domestic consumers. Use of the SSG is time-limited (i.e., it cannot be renewed indefinitely). It is designed to protect domestic industry from volatility in world markets. It was mainly developed countries that tariffied— only 21 developing countries have access to the SSG. Most developing countries opted to bind their tariffs (to set a ceiling on their maximum level) instead, a choice which precluded them from having the right to use SSG measures.

Special safeguard measure (SSM): Easily confused with the SSG, this is a proposal for a new provision that would be included in the revised AoA. The proposal is that developing countries (not developed) be granted the right to use safeguards as a protection against market volatility (which might cause sudden import surges).

Countervailing duties: These are tariffs that can be levied on imports that have benefited from the use of government subsidies, either domestic or export-related, in their country of origin. Under the AoA, a number of government subsidies were categorized as "non-countervailable," which in effect legitimized a system in which countries had to accept imports whose price did not reflect their true production and marketing costs.

With the expiry of the Peace Clause (see Peace Clause), a number of U.S., European and other countries' agricultural exports are now vulnerable to countervail by importing governments. Countervailing duties are distinct from anti-dumping duties; they are triggered by the use of government support payments in the country of origin, while anti-dumping duties are related to the behavior of exporting firms.

Anti-Dumping Duties: These are duties that a government imposes if it judges that the company exporting the product is engaged in unfair pricing. For example, if a company has different prices in different markets, the importing country receiving the imports at the lower price can impose a duty to bring the price up to the level pertaining in another importer's market. In addition, anti-dumping duties can be imposed where a company sells a product for a higher price in its domestic market than it does in its export markets. Where there is no open market to help determine what the domestic price should be, countries are allowed to "construct" a price based on the cost of production of the product in question, plus a "reasonable profit." In many agricultural markets, the dominance of government programs of various kinds make this last approach necessary to determine if dumping is occurring. Under the current rules, a country must have domestic anti-dumping laws in place if it wishes to impose anti-dumping duties. The sector affected by the dumped imports must demonstrate harm to the satisfaction of the appropriate domestic authority (often a ministry of commerce). The ministry determines whether the accusation of dumping is justified. If so, the government imposes an additional duty on the offending imports at the border.

Tariff peak: A high tariff on a particular product within a given tariff line (e.g., on cheese but not on cream or milk powder).

Tariff escalation: Tariffs that rise with the degree of processing of a given commodity (e.g., higher tariffs on chocolate than on cocoa).

EXPORT SUPPORT

Export subsidies: Export subsidies are government payments that cover some of the cost of doing business for export firms. Typically, an export subsidy program will pay the difference between a more expensive domestic product and a cheaper alternative, so that firms are encouraged to buy from domestic producers. The U.S. subsidizes its cotton production in this way, paying U.S. firms to buy and process U.S. cotton by making it as cheap as the imported competition with subsidies.

Export credits: A tool used mostly by the U.S., export credits are given by a government to underwrite the cost of doing business on commercial terms. The U.S., for example, will pay Cargill to ship wheat to Malawi, and then Malawi will pay back the U.S. government rather than Cargill, usually at lower than commercial rates of interest and with longer payback terms. At the behest of the EU, a complicated exercise is now underway to try to estimate the subsidy component of export credits so as to discipline this aspect of the practice without banning the tool altogether.

SPECIAL AND DIFFERENTIAL TREATMENT

Special and differential treatment (SDT): As the GATT evolved from its inception in 1947, and as a growing number of developing countries became signatories to the agreement, member states established the principle in the 1960s that developing countries ought to be granted greater flexibility than developed countries in implementing GATT disciplines because of the economic difficulties they faced. Special and Differential Treatment (SDT or sometimes just S&D) provides formal recognition of the disadvantages developing countries face in the world trading system.

Special products: A term created by developing countries that want to protect their food security and the livelihoods of their most vulnerable producers. The proposal is that developing countries would be allowed to designate a certain number of products that would be exempt from tariff reduction requirements and other disciplines. A number of initiatives have been undertaken to try to establish criteria that would be effective in putting this idea into practice. The question is complicated, both technically (which crops should be eligible) and politically (how wide should the net be cast? All developing countries? If not, what criteria would be used to disqualify a country?).

Sensitive products: A kind of SDT for developed countries, sensitive products were introduced by the

European Union to request continued protection for particular agricultural products, for political or social or cultural reasons. These products are proposed to receive less stringent disciplines in relation to tariff and domestic support reductions. The EU strongly supports the idea, as there are a number of products that are too sensitive for them to negotiate easily at the WTO. The U.S. has not shown much interest in the idea, but it was included in the joint EU-U.S. proposal that was circulated prior to the fifth WTO ministerial conference held in Cancún, Mexico, in September 2005.

The Peace Clause: Another form of SDT for developed countries, the Peace Clause—formally called the Due Restraint Clause—is Article 13 of the AoA. The Peace Clause was another outcome of the Blair House Accord (see Blue Box). The clause, now expired, overrode the Agreement on Subsidies and Countervailing Measures and protected WTO members who used export subsidies for agriculture from challenge, so long as the subsidies respected the limits set by the AoA. The Peace Clause expired at the end of 2003.

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Annexure-2

Monsanto Acquires Seminis

Monsanto, the world leader in genetically modified (GM) grains and oilseeds, is buying a second blade for its plough: California-based Seminis, the leader in vegetable seeds. Seminis made a small loss in 2003-04 and news of the $1.4 billion buy cut Monsanto's share price by 6 per cent. But it may yet prove a smart move.

A good move to buy the world leader in vegetable seeds, Seminis brings four benefits. One, a huge range of new crops - almost any vegetable you can name and some that you can't - to join Monsanto's maize, soya and others. Two, an extra $550m-a-year turnover as Monsanto's focus shifts from its $3.2 billion (but slow-growing) herbicide business into seeds and GM, whose $2.35 billion sales in its latest reported 12 months were 24 per cent up on a year earlier. Three, a worldwide network, including a new operations centre in China and a two-year-old one in India, two huge potential markets. Four, a non-GM image which it needs to push itself successfully in the global market.

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