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The Social, Economic and Ecological Impact of Trade Liberalisation Policies In India

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"We should be ashamed of resting or having a square meal so long as there is one able-bodied man or woman without work or food"

—Mahatma Gandhi

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IMPACT OF TRADE LIBERALISATION POLICIES IN INDIA - AN OVERVIEW

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Enslaved by the free market

FIRST PERSON / V Kurien

THERE are no doubt some of you present who feel that our nation is on the verge of a brave new era. Other than an infrequent problem like our temporary inability to meet your growing demand for Amul butter, each day seems to bring new wonders of the consumer age to the citizens of our cities.

Our city roads are no longer filled with cycles and leisurely strolling pedestrians. We can now proudly compare our traffic tie ups and pollution with all but a handful of metropolises around the world. It is but a matter of time before Mercedes and Toyotas and BMWs add even more glamour to our thoroughfares.

We no longer must wear the dhotis, saris, and chappals of our villages. Today we can don the finest from Benetton, from Gucci, from ST Laurent or LaCoste just like our counterparts in New York, Tokyo or Paris.

In the past we had to make do with the aerated waters of our Charan Singhs and Ramesh Chauhans, but today we can proudly drink Coca Cola and Pepsi and debate their respective merits. For those of us so inclined, we need no longer suffer the Indian made foreign liquor because the manufacturers and purveyors of the world's leading Scotch Whiskeys are now happy to make their products available right here in Delhi.

And of course, all these things cost money so we can also take some satisfaction that our salaries are moving towards 'world class'. No longer do our chief executives have to hide their heads in shame: today Rs 40 or 50 lakhs per year is moving us upwards and onwards. I am told our bureaucrats do not feel that they should be left behind and that the nicely rounded figure of Rs 90,000 has been proposed as an appropriate monthly remuneration for our senior secretaries to the government. To those who point to such evidence of our 'progress', I say 'shame'.

Is this the independent India that our parents and grandparents dreamt of, sacrificed for, and even died for? Such an India may be independent, but it is certainly not free. And one must even wonder whether our hard won Independence is rapidly becoming a mere word, a broken promise.

I know that this sounds like heresy at a time when our national leadership has taken a sharp right turn away from the policies and programmes of our first four decades of nationhood. We have now entered the world of "competition, liberalisation and globalisation". I would like to ask you to think, for a moment, about what those words really mean.

Yesterday's socialists are now fierce advocates of 'the marketplace'. Well tutored by their gurus in Washington, Tokyo and Geneva, they seem determined to ensure that Adam Smith's 'invisible hand' becomes quite visible in India. Scarcely a day passes when one eminence or another fails to proclaim, "let the market decide." We no longer need protect and defend the young against the undesirable, the decent person against the rogue. We will let the market decide.

Now, I am an old fashioned person and I was brought up to believe that when we obtained freedom our Independent India was to be a humane society, one guided by noble principles. Markets are not noble. They do not allocate resources on the basis of justice, but simply on the basis of price. No civilised society entrusts its destiny to the market; yet today we seem to be moving rapidly in that direction.

What does this 'liberlisation' mean? It would seem that it means that the state has abandoned the right and responsibility to make choices about the form of enterprise that best suits the needs of our people. It means abandoning the right and responsibility to enter into markets to support, or constrain prices. It means an end to any limitations on the entry of capital goods and services, irrespecitve of whether these are consistent with broader national goals. It is indeed odd that when ritually all of the rich, industrial countries of the North employ policies to manage their economies, to allocate resources and to protect their markets, it is somehow appropriate for India to do the same.

One thing that liberalisation does not mean is an end to the tangle of red tape, the rules and regulations that hamstring any honest enterprise. Our bureaucrats and their masters have made it amply clear that they have no intention of foregoing the modest revenues enjoyed by allowing exceptions to the regualations they create and administer. We can take some small solace in the fact that our increasingly pervasive corruption seems to be a deterent to the entry of at least some foreign firms.

Then there is the exciting word, 'globalisation'. There are those who seem to believe that this means opening international markets to us. The fact of the matter, however, is that globalisation means hamburgers, pizzas, colas, fancy clothes, new movies and compact discs to titillate our elite. And, even more sadly, it could mean that our wheat farmers labour for speculators in Chicago and that the women who raise, feed and care for our milch animals earn dividends for stockholders in Geneva.

Excerpted from the H M Patel Memorial Lecture

ECONOMIC TIMES 18-12-94

Replay of the raj

GATT is the 20th century equivalent of Mughal largesse to the East India Company, argues **Vandana Shiva**

For India, free trade is not a late 20th century innovation. It is the re-emergence of a very old instrument of monopoly control. It does not herald the end of history, merely its repetition. It does not create new liberties for the ordinary Indian. It can only lead to recolonisation.

The General Agreement on Tariffs and Trade might be more complex than the Faruksheer *firman* granted to the East India Company in 1717 because the world is more complex today. Instead of one large corporation, the world now has many multinational corporations. But in core content and impact, free trade in the 18th and 20th centuries do not differ drastically.

In 1717 Faruksheer, grandson of Aurangzeb, notified his governors in Bengal, Hyderabad and Ahmedabad the East India Company was free to trade all over the Mughal empire. This document allowed the East India Company to lay the foundation of British dominance of India for the next two centuries.

The East India Company set up its first factory in Bengal on May 14, 1633 at Hariharpur in the Mahanadi delta. On February 2, 1634, the English obtained from Shahjahan a permit to bring their ships to Bengal. In 1651, the governor of Bengal, Prince Shuja, allowed the company to trade freely in the province in return for an annual tax of Rs 30,000.

The English were not satisfied. They wanted free movement of their goods throughout the country. They were angling for a single document from the emperor that would remove impediments to merchandise movement and give the company legal and moral justification to assert its rights in conflicts with local authorities. The Faruksheer firman provided both.

The East India Company had now placed itself in a very favourable position. Not only did Indian merchants have to pay customs and transit duties which the company had exempted itself from, they also lacked protection from the Mughal fleet against attacks by European frigates. European piracy eventually choked Indian manufacture exports. By this time, the company's monopoly in several sectors was absolute. In one of them the results were horrible.

Textiles were Mughal India's most important exports. With the introduction of the East India Company's monopoly, weavers, textile merchants and intermediaries lost out. Their coercion was intrinsic to the increasing freedom of the company. By its financial clout, the company transformed an entire class of capitalist weavers into contract labour. Besides, it was also into price fixing, at times 40 per cent lower than the market price.

In the 18th century, Bengal had around a million weavers. South India, another half a million. By the turn of the century, the industry which had a near monopoly on cloth markets in Asia, Europe and Africa was on the road to annihilation.

A.Dunkel: Today's Lord Clive

Free trade has always been more free for some. It levels the economic field for the multinational. In the process small local producers lose their economic freedom and are either coopted by the multinational or become economically dispensable.

Nor does free trade sustain markets. The East India Company's increased imports of Indian textiles affected the English woollen textile market. English weavers rioted and the government had to ban Indian calico imports. This gave way later to increasingly heavier duties on Indian textile imports.

Protection is therefore a logical corollary to free trade. "Social" and "environmental clauses" raised at Marrakech this April do not significantly differ from the Lancashire mills' insistence on higher duties on Indian textiles. Free trade does not remove protection. It limits protection to the economically strong.

As free trade removes protection for the weak, de-industrialisation and de-intellectualisation sets in. The East India Company single handedly reversed centuries old trade relations between India and England. The balance of trade, which till the 18th century was in India's favour, took a u-turn. From being an industrial centre, India was transformed to a supplier of raw materials and markets for English goods.

Most social and political movements of 19th and 20th century India owe their origins to this usurpation and diversion of resources, and the destruction of people's livelihoods.

The Maratha uprising of 1875 was intimately linked to the vulnerability of cotton exports. Cotton prices, which had skyrocketed during the American civil war, crashed in its aftermath. The Indian farmer was left in the lurch. Land revenue, an unbearable burden in prosperous years, became impossible to be met. A third of Indian cotton growers became heavily indebted. They lost their lands and houses.

Enraged, peasants in Poona and Ahmednagar, attacked money lenders and burnt title deeds. The Deccan uprising was a movement for secure land ownership rights and exposed the social and environmental insecurity created by free trade.

The vital resources needed for survival are still land, water and biodiversity. The most fundamental human and democratic rights are rights to these. However, free trade as freedom to the multinational is based on the forced alienation of the common man's biodiversity rights.

The Indian government appears not have learnt much from East India Company. Land security is already being undermined in Maharashtra. Land ceilings have been removed for export corporations.

Trade related intellectual property rights, especially its clauses on life forms, is another irreversible step to give multinational seed and pharmaceutical corporations monopoly control in agriculture and health care. The seed *satyagraha* and farmers' movements against GATT are the 20th century equivalents of the Deccan uprising.

TT 21-6-94

Gospel of SAP may be sapping poor nations

Udayan Majumdar on problems facing developing countries in the new scheme of things

NOTWITHSTANDING criticism by developing countries of the stiff conditionalities imposed on them by the Bretton Woods twins at their recently concluded special 50th anniversary conference in Madrid, the World Bank emphasised on the necessity of introducing structural adjustment programme (SAP) in developing economies. The Bank also advanced the apparently simple thesis that governments in developing countries have been mismanaging their economies—not producing sufficient goods (whether of primary materials or industrial manufacture) to sell or export in order to pay for their expenditure on imports and social services (not to mention their debt repayments).

The solution to the crisis, according to the Bank, is also simple: structural adjustment that would cut Government spending, especially on "unproductive" social services; privatise public sector enterprises; devalue currencies so that imports become expensive and exports cheap, thus aiming to promote domestic investment and increase export earnings.

Everyone knows that this is no swan song. The World Bank's panel of economists has been candid enough to acknowledge that in many developing countries a period of painful macro-economic adjustment would be unavoidable. This explains why relatively low interest loans have been promised to countries agreeing to accept the rigour of SAP. The carrot of increased loans from other sources (from northern governments or from private banks) is also offered to those who undertake structural reform. The World Bank is optimistic that this will become the gospel in every developing country. It is no coincidence that hundreds of thousands of dollars are being spent by the Bank on public relations this year.

But not everyone agrees. Indeed there are many economists who question the Bank's track record, credibility and legacy. They are convinced that what is doled out by way of aid results only in uprooting poor communities.

The host of minus points about the multilateral aid is impressive: the Bank is incapable of using public money responsibly; the funding mechanism contributes to further indebtedness, social inequity and environmental degradation despite the rhetoric about concern for women, indigenous people and the environment, most of the projects financed are harmful; that attempts over the last half-a-century to superimpose a make-believe vision of the world upon the day-to-day lives of people have had devastating consequences for hundreds of millions of the poor and the marginalised, along with untold numbers of non-human species and their habitats. The tail piece says it all: But all this belongs to the past and now the detractors are singing a different tune. They think that the Bank is turning decidedly greener in its lending policies; exercising lesser influences over the policies of developing countries; and also ushering in the much-needed innovation through SAP for upgrading Third World economies plagued by poverty due to faulty strategies pursued by their governments. Nevertheless, the facts have not changed and for the better.

The Bank's initial diagnosis has not turned from wrong to right. Let us look at this plank of SAP. The terms of trade for almost all primary products, particularly cash crops (on which most developing countries are dependent as export commodities), have been deteriorating and, more so, for those developing nations which have already introduced SAP. And it is this

> *The World Bank's initial diagnosis has often proved to be wrong*

dependence on raw commodities which is the main problem, not the quantum of goods produced or grown. This is a legacy which derives not from faulty "inward-oriented economic strategies" or the mismanagement by Third World governments as the Bank would have us believe but rather from the policies of earlier colonial rulers. Indeed, during the colonial period, much of the developing world was de-industrialised and resources that might have been used as capital to industrialise were siphoned off to the coloniser's homeland. And this explains why, even today, Third World countries grow at low rates with inequitable patterns of wealth and income distribution.

Yet, it seems as though SAP may work. Removing minor levies and certain marketing restrictions, and enabling small farmers to sell their crops directly will certainly help them secure higher prices for their crops and thus help augment production. But at the same time, this will inevitably lead to a glut and prices of crops will fall in the international market. In addition, farmers will still have to buy clothes and food, seeds and fertilisers pay school fees for their children and so on. With inflation in most developing nations running in double digits—with some even boasting of three digits—the devaluation of their currencies, the removal of price restrictions and the increase in education and health-care costs (all part of SAP), farmers will find that the gains from higher crop prices are wiped out and they are, in fact, worse off than before.

Again, while the World Bank's initial diagnosis of the crisis in developing countries as one of insufficient production is dubious, there is little doubt that the recommended remedy will become part of the problem itself. Far from improving conditions in the developing countries, there is every possibility that SAP will further compound the crisis. With the painfully deep cuts in the provision of health-care, education and other social services and in the subsidies on basic necessities in both urban and rural areas, there is bound to be a decline in the general standard of living. Moreover, unemployment will increase due to retrenchments from the public sector and from private businesses closed down for lack of foreign exchange to import the necessary inputs. And, certainly, all this will be accompanied by high rates of inflation; and by further polarisation, as the very rich will become richer while all other income groups will lose out.

Precisely such things are occurring all over Africa. Already high rates of malnutrition, infant mortality, maternal mortality and sickness rates have increased significantly in the past few years. For example, a joint study by UNICEF, the Federal Office of Statistics and the Federal Ministry of Health in Nigeria showed that over the years since the structural adjustment programme began its innings, the proportion of infants with low birth-weights had increased by 10 per cent and the proportion of malnourished under-five had increased by 14 per cent. In addition, in six years the percentage of children under-five who were moderately-to-severely malnourished (malnourished to the point of permanent stunting) had increased by 13 per cent to one-third of all children. Paediatricians feel, even if conditions do improve, these children will never recover from their malnutrition. And these children—a disproportionate number of them girls—who have had to leave school, are unlikely ever to have a chance to acquire education and skills later. Evidently, the future of a whole generation of African children has been put at risk. Therefore, as the African experience shows, the strains of SAP are not shared equally by all.

Nonetheless, in order to effect a real transformation of the Indian economy, it is imperative to learn from Africa's failure, and move from an ideology of "progress and development" to a quest for authentic partnership, endogenous development, and an equitable power structure.

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FINANCIAL EXPRESS 8-11-94

The emperor has no clothes

By ASHOK MITRA

ASK the constituents of the upper crust. They never had it so good. The rise in prices does not affect them; on the contrary, they as a class gain from the inflation. None of them are thrown out of their jobs when factories close one after another. The comfortable foreign exchange position ensures for them the smooth flow of imported goodies, the enjoyment of which is the be all and end all of their existence; frequent junkets to foreign lands are rendered equally easy.

The Finance Minister, who has supposedly made all this possible through his policy of liberalisation, has been, thank God, rescued from the jaw of resignation. Foreign balances have shown a 500 per cent jump in the course of two and a half years, from barely \$2 billion in June, 1991 to \$10 billion now. Is that not a miracle?

Will be ignored

Should you try to intercede with the comment that this transformation is not really much of an achievement, since the accretion of foreign exchange of this order is mostly accounted for by heavy external borrowings, of late supplemented by unhealthy ingress of hot money, your talking out of turn would be ignored.

The country's total external indebtedness is close to \$100 billion; so what. A huge debt servicing burden — something around \$18 billion — is going to smother the nation during the next three years, so what. We are either already in a debt trap, or hovering very close to it; so what. Have not our ancient philosophers already, several centuries ago, advised us to borrow and borrow and use the proceeds to gulp distilled butter?

Besides, attention will be drawn to two other seemingly irrefutable pieces of evidence of the sunny days that have arrived. First, exports have picked up of late; after a rather disappointing performance in the two preceding years, they have shown a rate of growth of around 19 per cent in the current year. Second, the stock markets are once more exhibiting an extraordinary buoyancy; hark, the nightingales sing.

The enemies of promise, otherwise known as professional gloom merchants, are however incorrigible. They insist on putting a different interpretation on the rise both in exports and in the Sensex index. Some of them would even have the cheek to hint at the existence of a nexus between the two phenomena. According to them, money which had gone out of the country sometime ago through illegal *havala* operations is being brought back through over-invoicing of exports; a substantial part of this money is being put to work to induce a bullishness in the stock market.

Now that the rupee has been made convertible on the current account, no risk is involved, the pickings in the share market can easily flow out of the country, in foreign exchange, at the first sign of trouble. The rapid rise in portfolio investments by foreign institutional investors, which has further augmented the exchange reserves in recent weeks, has about the same inspiration. Recessionary conditions continue to prevail in Europe and the United States, where money fetches only 5 per cent or thereabouts in the short term.

Now that the authorities in India have eased up on exchange control, why not send some of the idle funds to India to corner prize stock which could perhaps triple in value in three to six months. In case there is a whiff of a whisper about another crash, why, the hot money that has come in will be quickly withdrawn.

For all one knows, the surge in share prices in recent weeks is no healthier than the one which set up the infamous Scam. Much like in 1991-92, the spurt in stock prices has little to do with the state of industrial activity, which remains in the doldrums. Industrial output during the first six months of the current year has been barely one per cent higher than what it was in the corresponding period last year. If the generation of electricity is excluded from the calculations, the picture is of total stagnation.

Drastic cut-back

Production of capital goods is actually down by more than 10 per cent, reflecting the drastic across-the-board cutback in capital formation as a direct consequence of the great economic reforms. Mining output as well as output of intermediate goods are also declining. It is only the production of some consumer items that is showing a rising trend.

There is little point in disturbing the euphoria of those who believe that this country could usher in an industrial revolution solely on the basis of the consumption demand generated by the upper crust. It would be equally futile to attempt to remind them that the rate of growth of farm production has fallen behind the rate of population growth in the past decade; this is likely to cause a shift in prices in favour of agriculture, further adversely affecting the demand for industrial consumer goods.

Even otherwise, the general picture remains daunting: workers are being locked out in their thousands; investments are declining in both the public and private sectors.

Just speculation

In the circumstances, any talk of an imminent industrial upsurge can only belong to the category of far-fetched speculation. The behaviour of imports, which have in the current year fallen even below what they were in 1992-93, confirms this pessimism. A sizeable part of the imports taking place is of consumer articles of various descriptions; imports of machinery, spares and intermediate products are only of a token order.

The crisis in the domestic capital goods sector is therefore not an isolated phenomenon; it is related to the deep malaise afflicting the economy in the wake of the contractionist fiscal and monetary policies that are an integral component of the Finance Minister's 'reforms'. And the huge drop in customs and excise duties these policies have brought about has in fact forced up the fiscal deficit.

The Government, for obvious reasons, has to present a brave front. Foreign investors, it still hopes, are going to bail it out. Are not the signals sufficiently unpropitious though? Institutional investors from overseas are bringing in funds, but only for speculation in the stock exchanges, and not for production. The Ministry of Finance frequently releases garrulous data on approvals of projects involving foreign capital.

There is however taciturnity of a very unusual kind in letting the public know the magnitude of direct foreign investment *actually* maturing. Such investment from the beginning of 1991 till the end of September, 1993, a recent reply to a question in Parliament suggests, has been less than \$750 million. Direct foreign investment could evidently not have amounted to more than \$300 million each year in the post-'reforms' phase. This is hardly enough to effect an earth-shaking industrial revolution in the country.

Equally noteworthy is the official stance that no industry-wise breakdown of the capital inflow actually taking place is available. Perhaps the Government is chary to admit that most of the investments have been of the Pepsi Cola, McDonald's and Kentucky Fried Chicken varieties. And newspapers have been induced to go berserk over the tiding of a well-known firm of cutters promising to set up a tailoring establishment in the country. Nearly one-half of this nation may go to bed every night with hunger in their belly. So what; that should not prevent them from donning Saville Row suits.

The situation as it obtains is not difficult to sum up. Foreigners rate India as a poor proposition for long-term investment. They will not however mind sending across, on a transitory basis, surplus funds which could make a killing in the short run in the stock exchanges. The continent of Circe is obviously reactivating itself. Instead of technology, expertise and capital from the sophisticated West galvanising the inert Indians into furious productive ventures, a phenomenon of a reverse nature is unfolding before our eyes. The ethos of the Indian *bania* has captured the foreign imagination: avoid like plague investment in production; put your money in speculation.

In Sam Goldwyn's evocative language, foreigners too have included themselves out from the arena of production of material goods. The prospects of growth in industry and agriculture, from which the poor and middle classes could benefit, will therefore continue to be dim. That will not deter the upper crust. They may be a microscopic minority of the national population; so what: they preside over the Government, they have total control over the media. They never had it so good. It therefore should follow that the nation never had it so good.

Herd instinct

A kind of herd instinct is at work. There was no alternative to the economic reforms, say the representatives of the upper crust. There is no alternative to all-out liberalisation, echo the parrots who write ponderous letters to newspapers. Few amongst them dare to suggest that the emperor has no clothes, the so-called reforms have been, and will continue to be, unmitigated disaster for the majority of the nation.

DECCAN HERALD 26-1-94.

A fistful of dollars

A nation's domestic affairs should not be dictated by the IMF-World Bank

By VANDANA SHIVA

Even while countries of the third world are struggling to reclaim their sovereign right to biodiversity, and farmers and conservation groups are fighting for the recognition of "farmers' rights", the World Bank has recently attempted to hijack control over the international gene banks and the international agricultural research centres under the Centre for Genetic and International Agricultural Research.

At the mid-term review meeting of the CGIAR in Delhi, the World Bank proposed to establish a steering committee chaired by its vice president, Ismail Serageldin, and adopt a full system wide policy for all countries to be implemented by the committee.

They also proposed that the chairman have authorityto negotiate and enter into agreements with other bodies. This absolute power and control of the World Bank over genetic resources that come largely from third world farmers is the price of the CGIAR's plan receiving additional funding of $ 40 million and $ 2.5 billion fund.

The World Bank is not a legitimate custodian or policymaker for genetic resources donated by developing countries. Governments and non-governmental organisations who gathered in Nairobi in June 1994 for the biodiversity convention made it clear that they would resist the bank's attempted take over of gene banks.

Social non-sustainability and destabilisation is an intrinsic part of International Monetary Fund-World Bank stabilisation and adjustment plans which involve budgetary austerity, devaluation, trade liberalisation and privatisation.

Jobs and livelihoods are deliberately destroyed by the economic engineering of the international financial institutions. In India, the "exit policy" linked to the structural adjustment programme involves putting more than 10 million more people out of work. That is the reason trade unions have had a nationwide strike on September 29.

In India, as a result of SAP, food output fell from 176.2 million tonnes in 1990-1991 to 167 million tonnes in 1991-92. By insisting cuts in food subsidies, food prices of staples were increased by 30 per cent, increasing poverty and malnutrition in an already poor country.

As adjustment programmes force "dollarisation" of the economy, food prices rise, and riots are the result — as in Caracas in 1989 when more than 1,C00 people died in Tunis in 1984, in Nigeria in 1989, and in Morocco in 1990.

As social security is denied to people, the World Bank engages in the doublespeak of social safety net. Social non-sustainability has also been created through SAP interventions in the health sector. Health budgets have been cut drastically, even as diseases are spreading.

As the Madrid declaration states: "In several regions of the world, the brutal compression of social expenditures combined with the collapse of purchasing power has led to a resurgence of infectious diseases, including tuberculosis, malaria and cholera.

The recent outbreak of bubonic and pneumomic plague in India is the direct consequence of a worsening urban sanitation and public health infrastructure which accompanied the compression of national and municipal budgets under the 1991 IMF-World Bank sponsored "structural adjustment programme".

As food prices rise and diseases spread, women bear the worst burden. SAP is an anti-woman policy and thus the destructive impact cannot be covered by the mountains of gender reports pouring out of Washington.

Third world's women's rights are also being robbed by the bank's

Dust under the carpetbaggers

involvement in population control. During 1969-1979 it only spent $ 278 million on population programmes. In 1987, the population budget was upto $ 500 million. By 1993 it was $ 1.3 billion The president of the bank has now offered an annual $ 2.5 billion by 1995.

The bank's population programmes suggest reducing of medical screening and regulation of hazardous contraceptives. It even goes as far as suggesting that medical education curricula be changed so that doctors do not concentrate on adverse side effects of contraceptives, especially the hormonal injectables and implanatable contraceptives.

Denying women's rights to know can hardly be seen as part of women's empowerment. Imposing health hazards on women cannot be accepted as "safe motherhood".

The World Bank's most significant doublespeak is in the area of "good governance".

First, the principle of good governance is fully violated by the bank itself. As Willi Wapenhans pointed out in his report of 1992, 37 per cent of the bank's projects are failures, and 78 per cent do not comply with the bank' own criteria. More recent, in a paper prepared for the Bretton Wood commission, Wapenhans states, "It is perhaps noteworthy that the bank management's response to the Wapenhans report does not yet address the recommendations concerning accountability."

Second, the interference in governance in sovereign countries violates the articles of agreement.

Finally, the IMF-World Bank interference in domestic affairs of countries does not lead to democracy or good governance, but to authoritarianism and social and political breakdown. Structural adjustment require the strengthening of the internal security apparatus to deal with political discontent, as workers lose their right to work and organise, as people's right to food security is taken away, and as conditions for peace in society are destroyed.

As export markets and domestic markets collapse under the economic engineering of the World Bank and the IMF, violence and civil war break out in region after region, country after country. Whether in Punjab or Rwanda or Somalia, the global financial institutions have through their policies, created conditions for social disintegration, civil strife and violent conflicts.

The World Bank and the IMF have not, and cannot, contribute to sustainability and good governance because their policies are policies of genocide.

Worrisome fall-out of liberalisation

Madhu Dandavate on the yawning gap between goals set and end results

LIBERALISATION seems to have become the watchword of our economy. But as we probe deeply into the concept of liberalisation, we find a wide gulf between its theory and practice. Further, the concept is viewed differently by developed countries and the developing nations.

In the economic field a serious debate is going on regarding various aspects of globalisation and liberalisation of economy. The proclaimed objective of globalisation is to integrate economies of different countries into a world economy. The professed aim of such integration is to bring about balanced growth, development and trade, avoiding sharp disparities between the affluent developed world and the developing world plagued by poverty. The apparent aim is to evolve a more just and equitable economic world order. The declared goal of economic liberalisation is to build an economic system which will eliminate rigidities, discriminative bureaucratic controls and irksome procedures which cause delays, inefficiency and thereby corruption and hamper the process of production.

Against the background of these professed objectives of globalisation and liberalisation of economy what becomes obvious is the yawning gap between the professing and practising. When developing countries like India seek financial assistance from the multilateral financial institutions like the International Monetary Fund and the World Bank, stress is laid by the latter on greater liberalisation of the Indian economy and its integration with the world economy. India's unfortunate experience about liberalisation and globalisation has been that both these are viewed by the rich developed countries and the poor developing nations in diametrically opposite perspectives, arising out of the conflict of their economic interests.

After signing the GATT treaty at Marrakesh on April 23 India has decided to be 'liberal' in allowing encroachment on India's planning and development. This is quite consistent with the harsh conditionalities which India has accepted as a price for securing credit facilities from the IMF and the World Bank. The Government claims credit for GATT agreement assuring phasing out of the multi-fibre agreement (MFA) that governs exports of textiles over a 10-year period in place of a longer period of 15 years suggested earlier. However, in lieu of this small concession India gave a commitment to cut down import duties on synthetic textiles, thus providing US entry into India's domestic market. This will have a significant bearing on sale of goods of the Indian textile industry.

The Budget for 1994-95 presented by Manmohan Singh has confirmed these fears. The peak custom duties for textile and other goods have been substantially reduced. As a result, the imports have become cheaper compared to indigenous goods. This could ruin the domestic industries. Quite an innovative liberalisation indeed! Another important development will also be to the detriment of India's textile trade. The formation of regional groups like NAFTA is going to be quite harmful. It will result in the abolition of tariff barriers for member countries while retaining for other countries in the GATT system the quota and the tariff regime. Under such an iniquitous scheme of 'liberalisation' the Orwellian phrase 'all are equal but some are more equal than others' will become all the more glaring. Thus the highly glorified 'liberalisation' will effectively be heavily leaning towards developed countries.

> *The decision to be 'liberal' is in consonance with the harsh conditionalities accepted*

It is difficult to understand how liberalisation and the multilateral system of retaliation incorporated in the Dunkel Draft can be harmonised. The provision for retaliation against developing countries will now be widened through the device of World Trade Organisation (WTO). It would provide the common institutional framework for the conduct of trade relations between members of WTO on matters relating to GATT, TRIPs and TRIMs. It would provide for cross retaliation. This would give legitimacy to the Special 301 provisions of the US which so far were a unilateral instrument of action against other countries perceived to be resorting to protectional policies. The new provision on retaliation is a counterweight on liberalisation.

The approach document of the Eighth Plan gave priority to tackling the problems of poverty and unemployment. The document therefore emphasised the need to make the Plan 'employment-oriented'. The decentralised sector of industry being more labour-intensive greater stress was laid on this sector. However, with the euphoria of liberalisation the Indian economy will be open to multinationals without any restrictions regarding the field of production. Even the consumer goods manufacturing sector in which there is a large presence of small and medium-scale industries, providing relatively large employment will be open to them. These companies will bring in highly modernised and rationalised industries needing more power but less labour. In search of quality labour will be displaced. 'Entry to multinationals and exit to labour' will be the new motto of our economy. In an unequal competition between the small-scale sector and sophisticated technology inducted by the multinationals the small-scale sector is in danger of being ruined bringing on its trail large-scale unemployment and poverty. Thus the glory of sophisticated technology will be built on the debris of the dignity of man.

A pragmatic approach demands that neither privatisation nor nationalisation be treated as a panacea for all economic ills of society. However, this perspective is completely brushed aside and there is an increasing craze for privatisation. On the other hand, there is total neglect of co-operatisation.

In a country like India with inadequacy of capital, absence of advanced technology and large numbers of unemployed, there is bound be a co-existence of public, private and co-operative sectors and this has to be fostered. Questions of availability of resources, expertise and social obligations are the determining factors as to which industries will be in public, private and co-operative sectors. Unfortunately, a very unbalanced image is projected to show that the private sector is the paragon of all virtues and a symbol of efficiency, whereas public sector is the epitome of inefficiency and corruption.

Coming to agriculture, after the GATT treaty India will have to accept obligatory imports of agricultural commodities. This has the implication that the customary demand for remunerative prices to growers of diverse produce will go unheeded. The insistence on procurement and sale of foodgrains through the public distribution system at market prices will harm the poor consumers. The move to change process-oriented patent law into a product-oriented one will result in a spiralling of prices of commodities. Agriculturists will face grave difficulties in purchasing exorbitantly priced high-yielding variety of seeds. All this will happen under the garb of globalisation and liberalisation.

Thus whatever the professions of the protagonists of liberalisation, in practice this process will cause distortions in the economy and harm the interests of the deprived sections of society.

The author is a former Finance Minister.

FINANCIAL EXPRESS 1-12-94.

India seeks $ 20 m WB loan to pay consultants

by Bharat Bhushan

WASHINGTON DC – In an ostensible bid to give a fillip to the privatisation of the power sector, India is taking a $ 20 million commercial loan from the World Bank to pay the fees of private power sector consultants. Given the experience of the World Bank in the privatisation of the power sector, a large portion of the borrowed money is likely to flow back as consultancy fee to the World Bank's own consultants.

The World Bank's board of directors will clear this loan of $ 20 million to India on Thursday (June 24).

The World Bank clearly wants a comprehensive role in the privatisation of the power sector in India – starting with the conceptualisation of the privatisation process by funding the consultancy needed for this purpose to the future funding of the private power projects themselves. In other words, the World Bank would like to create the very institutional structures with which it would have to deal in India later for the commercial funding of power sector projects in the country.

The justification for this all encompassing role has been provided by the Government of India itself which has "indicated that the Bank's involvement in the implementation of the private power initiative would help to ensure the technical quality and independence of policy advice and project reviews." It is not at all clear how "independence of policy advice" especially vis-a-vis the World Bank itself can be maintained if it is to be so deeply involved in the process of the creation of the new institutions in the power sector in India.

As a matter of policy, up to now India had tended to use outright grants or at best concessional financing from international institutions for funding consultancy and training under technical assistance programmes. This was a sound policy – the argument being that if there were grants available for paying for consultancy or training programmes, say from the UNDP, then why borrow commercially for the same purpose?

Now, however, it is being argued that there are some "high-value" consultancy services which justify taking commercial loans to pay for them. Clearly, as far as the Government of India is concerned, privatisation advice in the power sector falls into this category. Thus, with the new technical assistance loan from the World Bank, India will for the first time borrow $ 20 million at commercial interest rate to fund power sector consultancy.

The privatisation programme will be coordinated by the Investment Promotion Cell (IPC) of the Indian Ministry of Power. The IPC itself would be funded out of grants expected to be made by the Japanese Government

INDIAN EXPRESS 22-6-93

Open invitation to exploitation, BoP crisis

by V. Shankar Aiyar & Raghu Nandan Dhar

BOMBAY

BELIEVE it or not, the Government of India is now proposing to borrow funds internationally at 16 per cent in dollar terms when money is available (as on Friday) at a LIBOR rate of 3.56 per cent ! This is precisely what the Rao regime's decision to allow a return of 16 per cent in dollar terms on foreign investment in the power sector means.

And if the move has stirred a hornet's nest in the Ministry of Finance it is not without reason. According to the mandarins within the Ministry and the Reserve Bank of India (RBI), the move is not only not called for but is in fact a clear invitation to exploitation and a Balance of Payments (BoP) crisis.

In fact such is the clout of the lobby behind the 'brainwave' that neither the Ministry which stipulates liabilities nor the RBI which is responsible for assets management have even been consulted informally on the issue and efforts by these officials to thwart the move has not yielded any results.

Indeed, officials in the Ministry point out that a return of 16 per cent in dollar terms combined with an 11 per cent annual erosion in the value of the rupee (devaluation) takes the return to 27 per cent. Add to this the five year tax holiday, and the effective returns are 54 per cent on every dollar that the foreign institution invests. And the rate of return is maintained even after the end of the tax holiday since the government has in its wisdom pegged the returns at a post tax figure of 16 per cent.

In other words if "X" had invested $ 100 in 1991 his yield would have been Rs 747.76 (Rs 286 as devaluation and Rs 461.76 as assured returns) in the first year and Rs 829.48 (Rs 317 and Rs 512.48) in the second year. While the direct yield is around 26 per cent the effective returns come to around 54 per cent (given the fact that there is a tax holiday and the sovereign assurance is post-tax thence).

Even foreign merchant bankers are quite surprised at the Indian Government's munificence. As one foreign banker put it: "The Government could have even gone to the World Bank which lends at eight per cent or raised bonds in the international market at nine per cent as they had done in the case of the IDBs, instead of going in for this assured returns idea which is clearly an exploitative situation and has no parallels in the global context. Even corporate bonds across the world don't yield a return of over eight per cent anywhere."

There are some votaries of the idea who present the Chinese experiment as a parallel. Indeed, the Chinese have been immensely successful in attracting foreign capital but even they haven't fallen for such tricks. For the record, the Chinese agreement stipulates a return of less than 15 per cent – not in dollar terms – and unlike the Indian idea there is no concession in terms of tax.

The 'scam', however, doesn't end here. Going by the estimates of the Eighth Plan, it should not cost more than Rs 20,000 per KW – taking inflation into account the figure could be boosted by Rs 5000 per KW and pushed to Rs 25,000 per KW. However, the players in this new 'power game' are pricing their output differently. According to the figures projected by at least two entrants in the field, the cost per KW by their estimated is Rs 40,000 – that is clearly twice that of the Government's own estimates. But yet, the Government has agreed to the 'estimates' of the foreign investor.

Now place this fact in the context of the global scenario where companies have been left with excess capacities and a near-recessionary situation. Instead of exploiting this aspect, the Indian Government has in fact gone ahead and agreed to inflated or at least over-priced estimates of project cost. How else does one explain the Rs 8000-odd crore estimate for a 1900-plus MW gas-based project being accepted ?

In other words the already battered tax payer will now be paying for this special power project (since the State Electricity Boards (SEBs) have yet to learn about profits or staying in the black) at the rate of 16 per cent Rs 1280 crore per year for this 1900-MW plus project for the life of the plant (which could be between 20 and 25 years).

In other words the tax payer will, in 25 years shell out Rs 32,000 crore (that is $ 10 billion at today's exchange rate and $ 3 billion more than the trade deficit) as just returns on the investment. And this doesn't take into account the hidden costs of no-tax (which the SEBs buying the power will be paying anyway) or the more important question of devaluation which will be borne by the RBI at the behest of the Government. And that is just one plant we are talking about.

Little wonder then that both officials and technocrats in the Ministry of Power are disturbed at the manner in which the Government is going ahead with the avowedly well-intentioned theme of inviting foreign investment in power projects. As a senior technocrat in Maharashtra stated. "The most baffling question is why hasn't the Government thought of listing out the areas or sites of these projects and gone in for a global tender and invite competitive bids?"

Besides these aspects there is the question of the procurement of fuel. Is it part of the deal ? If not who is going to foot that bill and who is going to manage the exchange fluctuation costs ? And what about pricing ? How is the Government planning to fund the "profits" for the foreign investor given the excellent track record of SEBs ? Will the bill be footed by the State Government or by the Central Government?

Does the Government realise that this scheme will be the finest method for the unscrupulous and also some prominent industrial houses in the country to siphon money and stash it out of the country ? All that they need to do is set up a front, borrow at LIBOR and make a killing.

For over three years the country has battled a crucial BoP war going to the extent of pledging its reserves. It is only now that there is some semblance of order and respect. This latest 'brainwave', however, is designed to take us back in time. As a senior Finance MKnistry official stated: "Nothing in this makes sense."

And, if at all anything is clear, it is the fact that their has been no application of the mind nor any rationale ... at least not one that is clearly visible.

INDIAN EXPRESS 9-5-93.

Lakhs court arrest to protest Govt policies

WHO SAYS WATER IS SCARCE?: Police using water cannons to good effect against demonstrating trade union workers on the Capital's Parliament Street on Thursday.

EXPRESS NEWS SERVICE

NEW DELHI

LAKHS OF people courted arrest throughout the country and fought pitched battles with the police at many places on Thursday as they responded to the 'jail bharo' call by trade unions and mass organisations, in protest against the economic and industrial policies of the Narasimha Rao Government.

In the Capital, scores were injured when police trained water cannons, lathicharged and teargassed hundreds of trade union workers and social group activists who tried to head towards Parliament House. Delhi Police placed the total number of detentions at close to 4,900. Those detained included eight Left Front MPs and leaders of several trade unions.

Agitated National Front and Left Front members staged a walkout in the Rajya Sabha and the Left Front stalled business in the Lok Sabha for over 20 minutes in protest against the police action on demonstrators on Parliament Street here on Thursday.

While in the Lok Sabha, the LF members, who rushed to the well of the House demanding a statement from the Home Minister on the incident, called off their protest after Parliamentary Affairs Minister V C Shukla expressed regret, the NF-LF members in the Rajya Sabha walked out saying that they were dissatisfied with Home Minister S B Chavan's reply.

The trade union leadership later claimed the jail bharo programme was a resounding success and condemned the police for resorting to lathi charge and teargassing without making proper arrangements for arrests.

In a statement here leaders of the seven national trade unions said the protest agitation against the Government's "disastrous economic and industrial policy" would continue, culminating in another all-India strike on September 9. Among those who signed the statement are M. K. Pandhe (CITU), B. D. Joshi (AITUC) and V. Tiagi (HMS).

In Bihar, over 30,000 supporters of Left parties and organisations courted arrest, while activists engaged the police in a pitched battle in Patna. Officials were among those injured when protestors retaliated by pelting stones on policemen. In Begusarai alone, 10,000 people courted arrest, while another 1,000 were rounded up at Chapra.

In Tamil Nadu, over 27,000 people had been held by the police by afternoon. Nearly 10,000 people were rounded up in Madras while picketing Central Government offices in the city. Andhra Pradesh too saw thousands court arrest as part of the jail bharo programme. Rallies, dharnas and picketings were organised in almost all districts. Some 2,000 people were arrested in Hyderabad.

In the Capital, hundreds were injured in police action. Several leaders and a number of organisations condemned "the barbaric police attack on even women and children" and demanded stern action against the policemen involved. Delhi Commissioner of Police M B Kaushal, who justified the action of his men, said 10 policemen – including one from the Rapid Action Force (RAF) – were among the injured. Kaushal denied the charge that senior police officials were not on hand when force was resorted to.

Leading the protestors were MPs Inderjit Gupta, Bhogendra Jha, Chaturanan Mishra, Gaya Singh, N.E.Balram, Hannan Mollah and trade union leaders M.K.Pandhe, Swapan Mukherjee, Sushil Bhattacharya, B.D.Joshi, Pratap Samal, Harish Tyagi, Bhim Puri, S.B.Bhardwaj, T.A.Francis and R.K.Sharma.

The trade union workers and social group activists had assembled in the morning at Jantar Mantar, carrying placards denouncing the Centre's "pro-multinational policies" which they said had been dictated by the World Bank and the International Monetary Fund (IMF).

Addressing the assembly, CPI general secretary and AICCTU leader Swapan Mukherjee cautioned the people against "the impending dangers resulting from the implementation of the new liberalisation policy when thousands would be rendered unemployed."

He claimed the Narasimha Rao Government was hobnobbing with the BJP and abetting communalisation of policies and misuse of religion for political gains.

Immediately after the Rajya Sabha reassembled after lunch, the NF-LF members charged that the demonstrators who were voicing their protest over the Government's economic policies were caned and teargassed without any provocation. The police action was at the instance of Chavan, alleged N E Balram (CPI).

Refuting the charge, Chavan maintained that he had not issued any directions to the police to crack down on the demonstrators. They had crossed the barricades set up on Parliament Street where prohibitory orders Section 144 had been clamped. "Protests should be launched within the parameters of law and order," he said. He, however, said that he was sorry if any MP had been injured in the incident.

INDIAN EXPRESS 20-8-93

Ministers demand repackaging of reforms to assuage poor

Our Political Bureau

NEW DELHI 14 DECEMBER

THERE is a mounting pressure on the Prime Minister, Mr P V Narasimha Rao, from Congress members for a "total review" of the government's economic policies. The demand is not for a complete change in them, but, for their repackaging so that the reforms are not seen as being anti-poor.

In the last 24 hours, a number of partymen, in groups as well as singly, have met Mr Rao for discussion on the issue. The common strain in their argument has been that the Congress needs to take fresh stock of these policies and re-work their packaging, so that they appear to be benefitting the people and not just the foreign and domestic industry. On his part, Mr Rao is believed to have heard these arguments and said that he will take note of the advice.

A group of 35 party MPs, including central ministers, met the Prime Minister at his 7, Race Course Road residence on Wednesday afternoon. Among the ministers were, Mr Salman Khurshid, Mr Kamal Nath, Mr Jagdish Tytler and Mr Krishna Kumar. These MPs, most of whom are considered Rao loyalists, clarified that they were not against reforms *per se*, but they were concerned about the way they were being perceived by the people.

Apart from this, a few senior party leaders, including cabinet ministers, are understood to have either met or written to the prime minister on the same issue. Their discussions with Mr Rao, as well as discussions among party members, show that an opinion is growing that the party has made a mistake by leaving the implementation of economic reforms to financial experts. Instead, it should have involved politicians who have a feel of the people's pulse.

While it is not known whether the finance minister, Dr Manmohan Singh, is included in the description of 'financial experts', one name that has been mentioned in this context is that of Dr Raja Chelliah. It is being said that the pace of the reforms, which is bound of have an impact on the country's political economy, is being set by an apolitical person like Dr Chelliah (whose report has been the basis for fiscal reforms), who is a taxation expert.

Known critics of this approach include Mr N D Tiwari, Mr Jagannath Mishra, Mr Madhavsinh Solanki and proclaimed dissidents. A number of ministers agreeing with this view are demanding setting up of an AICC(I) committee to look into the pace and the "anomalies" of the reforms, which have skewed its image.

The basis for this demand is a letter written by Mr Ajit Jogi MP, to the prime minister, well before the state polls. In the letter, dated October 20, Mr Jogi asked for a political committee for determining the "pace and direction" of reforms.

Of the alleged anomalies in the implementation of reforms, one is the decision to reduce the average peak import duty to 65 per cent. It is being said that while the WTO permits India to have an import duty of 80 per cent, the reformers have done one better and reduced it further. As a result, there is an "invasion" of consumer and foreign goods and not the desired level of foreign investments in green-field areas.

As it is emerging, the demand of partymen are centred on six suggestions. These are: expand and strengthen the public distribution system by including 14 essential commodities, protect Indian industry as permissible under WTO, ensure government funds do not shrink further, allocate maximum funds on anti-poverty programmes, step up planned allocations and defer the implementation of the Chelliah committee recommendations.

In a separate development, Mr Arjun Singh had a meeting with Dr Manmohan Singh. While the former impressed upon the need for the reforms to have a "human face", the finance minister is said to have asserted that they were not anti-poor. If they are being perceived as such, it was a political failure of the party that it was not projected in the right perspective.

THE ECONOMIC TIMES 15-12-94.

WB says election result not verdict on reforms

India Abroad News Service

Washington, Dec.15: A senior World Bank official has said it is incorrect and misleading to characterise the results of the assembly elections as a verdict on Prime Minister P V Narasimha Rao's economic reforms.

Louis Derbez of the India department, said he found some press reports in this country 'a little distressing' because they judged public support for the national economic restructuring programme by the losses suffered by the ruling party.

To look at the elections, where the Congress lost three out of four States, as a verdict on the economic liberalisation programme, showed a lack of understanding of India, Derbez insisted.

'Anyone knowing India knows that regional aspects are decisive factors', in State elections, Derbez emphasised. 'So equating State elections to a policy referendum is totally wrong', Derbez told India Abroad News Service in an interview.

He said New Delhi had implemented the economic changes 'in a consistent way in the last year', which he maintained, 'has allowed us to move from the concept of aid to the concept of investment'.

'The World Bank has been strongly behind India's structural adjustment programme. But Derbez noted it was unjust not to recognise the amount of work being done by New Delhi in the social sectors with concessional loans from the International Development Association (IDA).

'The Government's programme at the State and national level clearly emphasises social sectors', he insisted, 'we see that as positive'.

Macro-adjustment policies had paid off as shown by the strong industrial recovery and agricultural productivity which not be wholly attributed to the monsoon, Derbez said. Credit must go to good pricing policies, he added.

The six per cent growth of the economy, the expansion of the private sector and the new opportunities for investment in the power, infrastructure and social sectors, Derbez said, pointed to the success of the policies.

Even within the last one year, the level of Government activity had allowed the country to move to a more equal partnership with foreign investment and national private investors had become much more active and able to tackle foreign investors, Derbez maintained. Heinz Vergin, head of the India Department at the bank, is currently in India for the annual review of World Bank lending to India

RAJASTHAN PATRIKA 16-2-94

Reforms will wear voter-friendly look, promises Rao

Our Political Bureau

NEW DELHI 15 DECEMBER

RULING out the possibility of abandoning liberalisation, the Prime Minister, Mr P V Narasimha Rao, has said the reforms would be tailored to give a propoor look, soon.

Addressing the general body of the Congress Parliamentary Party here on Thursday, he conceded — albeit indirectly — that the reforms in their present form have failed to find popular acceptance and that there had to be repackaged. "Economics and politics do not always go together", he said.

Mr Rao admitted that the results of the elections were an eye-opener for the party.

He told party MPs that new package, being worked out by the Congress Working Committee (CWC) with an eye on the coming elections in the five states, would be presented before the people very soon.

Without going into the details of the possible nature of the proposed changes, Mr Rao indicated that the effort would be to ensure that the benefits of the reforms reach the people directly.

He is said to have virtually acknowledged that the current approach of routing the benefits of reforms through an increase in outlay on community development, rather than directing them towards individual beneficiaries, could be the reason for the people's alienation from the government's economic policies.

The CWC is understood to have thrown up several ideas. Most of them are proposals for strengthening the government's rural development programmes.

One suggestion is for finding funds from allocations already made for expanding the food-for-work programme.

Another suggestion is for identifying four most backward areas in each state and make them model centres of development.

The emphasis would be on building roads, developing water sources, providing loans for self-employment and so on.

The committee has reiterated the importance of ensuring that the sops reach the target groups.

However, the possibility of the reforms process being jettisoned has been ruled out by the prime minister, notwithstanding the criticism that they were pro-rich.

"The reforms are for the poor", he said. He was categorical that the repackaging of the reforms would not be at the expense of the country's long-term economic interests.

"The package should not drive the country to bankruptcy", he said. "This is a delicate exercise. It is our duty to see that the finances of country do not go waste".

That there was not going to be a U-turn on the economic front was also clear from his sharp attack on the opposition's politics of "reckless and irresponsible populism".

In a veiled attack on Mr N T Rama Rao's Rs-2 rice scheme, he said that the opposition parties make promises and within 24 hours of being elected descend to Delhi to ask for financial assistance.

He said: "When they promise the moon, they should know the state's financial capacity. Making promises and then saying that the Centre was not giving money and making it the scapegoat was not fair. People are already realising this".

Earlier, in an informal chat with party MPs, the finance minister, Dr Manmohan Singh, too, defended the reforms. "We have given you the best," he told them. He also argued that it was the party organisation which had failed to popularise the reforms.

In an interview to a video-magazine, the commerce minister, Mr Pranab Mukherji, said the reforms would continue at the same pace.

He said the Congress had failed to project its various programmes to the public and explain the rationale for the reforms and policies it had adopted.

Even so, it is voter-friendly considerations which are expected to influence the future direction of reforms.

A pointer to this was available on Thursday itself when the Prime Minister assured a delegation of textile workers from Maharashtra that no NTC unit would be allowed to be closed down. It is no secret that the proposed closure of sick NTC mills will figure in the forthcoming elections in Maharashtra.

Pranab rises to defence

The commerce minister, Mr Pranab Mukherjee, has risen in defence of the Congress high command by asserting that senior leaders like Mr Arjun Singh and Mr N D Tiwari should not have made public statements after the party's rout in the Andhra and Karnataka. "Electoral reverses do not mean no-confidence in the economic reforms process," he said in television interview with Eyewitness on Wednesday. The reforms would continue, he said. ■ **See also page 2.**

ECONOMIC TIMES 16-12-94.

Govt may increase subsidies in Budget

From ARINDAM MUKHERJEE

With the economy moving more or less on schedule, the initial gameplan was to start the process of a phased reduction in subsidies with the 1995-96 Union Budget. This was to be a part of the measures for overall fiscal correction, aimed at bringing down the fiscal deficit at least to the targetted levels, apart from putting a check on inflation, which has been rising regularly, touching the double-digit level again this week.

However, it is learnt, in view of the election results and the political developments thereafter, the Centre is considering giving a further boost to subsidies — specifically keeping in mind that five States go in for Assembly elections early next year — giving a veiled indication that once again the Budget will be based on political considerations than economic.

This might, however, go against the entire strategy of the Finance Minister, Dr Manmohan Singh, who advocated a phased reduction of subsidies and even indicated a possible retargetting of subsidies in his Budget speech on February 28, 1994, to ensure that the subsidies reached the poor strata of the society and not the affluent. Records show that at present, out of every one rupee of subsidy, only 40 paise reach the poor, while 60 paise goes to the rich and influential.

In fact, at a meeting of the Cabinet Committee on Prices last Wednesday, Dr Singh had asserted that his stand on the subsidy issue was clear and the intention was not to increase subsidies, but to bring them down gradually, with a view to phasing them out totally. It was then decided that the matter would be referred to the Cabinet Committee on Economic Affairs for a final approval of the Prime Minister.

At the highest levels now, political developments seem to have outmanouvred economic compulsions, with the prime instruction being that the electorate and vote banks should not be disturbed at any cost. Sources in the Finance Ministry say that since subsidies have always been an important pawn to checkmate political and electoral developments, there does not seem any chance that tightening measures will be allowed on this issue this time.

On the other hand, Dr Singh's economic calculations have been bearing fruit, with the economy performing almost according to expectations. A look at the subsidy level since 1991, i.e. since the reforms began, shows that during 1990-91, the total subsidy level was of Rs 12,150 crores which increased to Rs 12,253 crores in 1991-92. In 1992-93, the subsidy level fell to Rs 12,043 crores due to measures taken to induct fiscal discipline.

Going by this downtrend, the Government substantially lowered the Budget estimate for subsidies for 1993-94. However, the actual performance during the period suffered due to political disturbances, starting from the demolition of the Babari Masjid in December 1992, followed by a string of other events including the securities scam and the Joint Parliamentary Committee probe.

As a result, against the Budget estimate of Rs 8,375 crores, the actual subsidy level reached a phenomenal Rs 12,400 crores, the highest since 1991.

In the current financial year too, the Government had kept the subsidy level low at Rs 9,483 crores and sources close to the Finance Ministry say that with a satisfactory performance of the economy, this level was expected to be maintained till the end of fiscal 1994-95, provided the economy was allowed to run at this rate. In fact, due to the improved tax collections — both direct and indirect — and improved performance in other sectors, there was, for the first time in years, a marginal "fiscal surplus" rather than a fiscal deficit.

It is entirely likely, they say, that yielding to political pressure, the Government might utilize the surplus for feeding subsidies now, since phasing out them out has no longer remained a prime issue in the financial blueprint for the next year.

Multinationals flay Rao's statement on curbing foreign investment

MNCs doubtful over pace of reforms

Sanjeev Sharma & Rakesh Khar

NEW DELHI 16 DECEMBER

FOR the first time in the three and half years of economic liberalisation, multinational companies have raised a question mark over the pace and sustainability of reforms process.

While uncertainty prevails, top MNCs are viewing India with muted apprehensions. However, there is pronounced criticism against putting any kind of curb on free flow of foreign investment.

This criticism assumes tremendous significance in wake of the recent statement made by the Prime Minister, Mr P V Narasimha Rao, indicating curbs on foreign investment.

However, most MNCs are convinced about the irreversible nature of Indian reforms which they feel cannot be undone even with the change in the government.

Reacting strongly to the Prime Minister's statement, Mr Sung Young Wei, chief executive of Daewoo in India said, "We are very sorry to hear that the Indian government is seeking to put certain curbs on foreign investment. We understand that it is being done to project an image of being pro-poor. I think the Indian government should realise the basic fact that foreign investment boosts any economy, especially one like the Indian economy. Once your economy is sound then there is every reason to believe that the poor and the down- trodden would benefit out of it".

"Individuals are not important, what is important is consistency in policies. Let me also tell you that the Indian currency is not strong enough to be on its own without any support from foreign investment," Mr Wei said.

Brushing aside the election debacle, the Allied Signal president, Mr Sunder Mulchandani, said, "to us, the so called irritants are very minor and are not of any major consequence."

Ms Naina Lal of Morgan Stanley warned that now there would be definitely more cautious approach to fresh flow of funds, which could, in the short term, lead to a slackening of the pace of investment.

This can largely be attributed to a feeling of uncertainty about the fortunes of the ruling party that is prevailing in the country at the moment, she added.

Mr R Srinivasan, general manager, corporate affairs, ANZ Grindlays said in any democracy anxieties about electoral issue tend to dominate business news from time to time.

"The Indian reform process is at a sensitive phase at the moment and we believe that given our experiences in over 100 countries, there is cause for concern when there is a likely directional shift", Mr Srinivasan added. "We believe that the Government of India is committed to reform", he stressed.

A senior functionary of KFC India said," these political changes are not going to affect our decisions to put in the committed investment. The plans would remain as they were prior to these changes. The doors of liberalisation have opened in India and it is not possible to reverse them now".

The Flexibox International managing director, currently on a visit to India, said, "we perceive the current political turbulence to be perfectly normal and therefore we see no reason for getting disturbed. Changes in government does not mean a change in the reform process. There is nothing to be concerned about. If such political changes are to cause drastic changes in the reform process, we will be spending sleepless nights in Britain where the government has changed. We will continue with our activities in the country as normal".

A senior executive of General Motors said, "we are convinced that there will not be any going back on investments. Governments changing here and there and corruption charges being raised is no new phenomenon. It happens almost everywhere. India is no exception. Therefore, we are not unduly worried. We believe the mass consumer upsurge in India cannot be stopped now. So we are going ahead with our projects".

Giving vent to his apprehensions, Mr Baldev Lal, former co-chairman, American Business Council (ABC) said he had received a spate of inquiries from existing as well as prospective investors in the US.

"We have told all of them that there is no reason for concern. However, we have got an impression that the government is likely to put a halt on investment proposals in the consumer and white goods sector," he said.

Mr Anuroop (Tony) Singh, vice-president, American Express Travel Related Services said, "to my mind, regardless of which government is in power, the reform process is irreversible."

The Economic Times 17-12-94

Govt reforms have only helped inflation go up

by R. Sasankan

NEW DELHI

THE three and half years of reform have been the cruelest period for the common man in terms of prices of *roti, kapada* and *makaan*.

The country has been going through a double digit inflation for quite some time now and with inflation in terms of wholesale price index crossing the single digit figure, all the price indices are now in double digits. The prices may dip to single digit before the current financial year is over but the annual average for 1994-95, on present reckoning, should end in double digit, making lives difficult not only for the common man but also for the authors of economic reform.

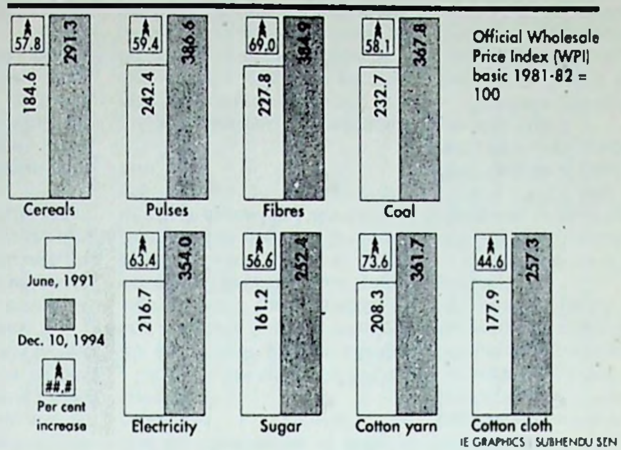
For the common man, this is the worst scenario since Independence. The prices of food grain went up by 58.2 per cent since June 1991, those of cereals by 57.8 per cent, pulses by 59.5 per cent, sugar by 56.6 per cent, textiles by 42.5 per cent, khadi by 165.4 per cent, wood and wood products by 169.4 per cent, chemicals by 51 per cent, drugs and medicines by 41.9 per cent and electricity by 63.4 per cent.

In rural areas, the price increase in terms of consumer price index for agricultural labourers has been 44.4 per cent. Consumer Price Indices for industrial workers and agricultural labourers together cover about 85 per cent of workers in the country. Inflation in terms of these indices have been in double digit for quite some time now.

According to official figures, the CPI for industrial workers has been in double digit since May this year and that for agricultural labourers right from February. The rate of inflation in terms of CPI for industrial workers stood at 10.3 per cent in October and for industrial workers at 11.6 per cent.

Even in terms of the wholesale price index, inflation has been running at double digit till the end

Differential Price Increases



of July this year. Later, it dipped to the single digit. There is a disparity of opinion as to when did inflation enter double digit again? If the government figures are to be believed, the rate of inflation (in terms of the wholesale price index) crossed single digit only on December 10. However, it had crossed to double digit a week before that, on December 3 to be precise. This was concluded on the basis of a comparison of a provisional data for December 3 this year with the provisional data for the corresponding week last year.

The government normally compares the provisional data of the current year with the confirmed figures of the corresponding period of the previous year. This, however, is distorted comparison. If provisional figures for December 3 this year are compared with the provisional data for the corresponding week of 1993, rate of inflation works out to 10.2 per cent, much above the 10.02 per cent, the officially acknowledged rate for December 10 this year.

Again, if the provisional data for December 10, 1994 is compared with that for the corresponding week of 1993, the rate of inflation should be 10.5 per cent.

For the first 50 weeks of 1994, price rise for all primary articles worked out to 9.8 per cent against 8.3 per cent for the corresponding period of 1993 and 11.2 per cent for primary food articles against 6.5 per cent in 1993 and 13.9 per cent for non-food articles against 8.7 per cent in 1993. In the case of non-food manufactured items, the price rise has been 10 per cent against 6.8 per cent in 1993.

INDIAN EXPRESS 27-12-94

The grapes of wrath

NIKHIL CHAKRAVARTTY

Political commentator and columnist

Not a defeat but a debacle—the Congress president is reported to have admitted this much at the very first Congress Working Committee meeting after the stunning beating that the ruling party received in its two major strongholds, Andhra Pradesh and Karnataka. Never before the Congress in the party president's home State has fared so badly, getting so few seats since its formation. This indeed must be a matter of anguish for Mr PV Narasimha Rao, particularly since he is the first from his State to become the Prime Minister of the country. Moreso because the appalling results have come after he himself took charge of the election campaign for his party.

The immediate reaction of the Congress -as provided by the Commerce Minister in a television interview—was that the elections were fought on local issues and that the Congress's ouster at the poll would not affect the standing of the party at the Centre. This was obviously a mispresentation of the reality since the main thrust of Prime Minister's poll campaigning was to seek the vote for Government's economic reforms. Laying it thick that "the whole world is watching these elections with interest", Mr Rao categorically declared that "no one will give us loans if there is instability. Only a stable Government will have creditworthiness" and that stability, he claimed, could be ensured only by the Congress winning at the polls. In other words, the Congress president himself had made the Government's economic reforms the centre-piece of his electioneering and, therefore, there could possibly be no two opinions that the poll results were in the nature of a mini-referendum on the Government's handling of reforms.

Nobody would be so naive as to suggest that the economic reforms alone decided the voter's choice. Allied to the economic reforms was the question of corruption which the Government has totally ignored, along with the Government's dragging the feet over the JPC report on the securities scam, as also the equally outrageous sugar scandal. The cumulative impact on the public mind has been that while crooks and scoundrels perched at high places could get away with crores as kickbacks, the common people are left with back-breaking burden of soaring prices which has hit particularly the fixed-income groups as also the rural poor. It is precisely on this count that the economic reforms as they have emerged could prove to be a liability for the Government.

Hurt self-respect

The measure of mass impoverishment as a result of the market-oriented reforms is being calculatedly kept away from the public by the Finance Ministry's statistical jugglery about inflation having been confined to single digit. It is not difficult to see through this dishonesty as the Government knows, as also the public, that the prices of essential commodities are far higher. As the official figures concede, the price of common rice as sold in the fair price shops has gone up from Rs 2.89 in June 1990 to over Rs 5.37 in February 1994 (may be more today) and this too after a series of good monsoons for the last seven years. This indicates the virtual collapse of the public distribution system. All this is cynically brushed aside by the Finance Ministry mafia who glibly say that somebody has to pay the price for the economic reforms: In other words, the poor must pay for the reforms while the rich and the super-rich shall reap the harvest.

Add to this, the Government's shamelessly pronounced preference for the foreign multinationals capturing the domestic market has begun to disturb even the bulk of the indigenous corporate sector, whose demand for an "even playing field" has been rebuffed by the Finance Minister's homily about the need for standing up to global competition. The fact that the Government has been inviting the MNCs to take over the strategic heights of the economy is noticed in the formal guaranteed returns it has been offering to the foreign investor in key infrastructural sectors. This is hardly expected to enthuse those who care for the economic independence of the country. The Finance Minister's assurance of lifting all restrictions on imports even for consumer products has provoked objections within the Government itself.

Despite the elaborate media management by the Finance Ministry mafia, the true face of the World Bank prescribed reforms is getting clearer to more and more sections of the people. At least on three counts signs of discontent are evident: First, the growing impoverishment of the population outside the affluent circle at the top. Secondly, the spectre of ruination that haunts the small- scale industrial sector has undermined the confidence of large segment of the public in the economic reforms programme. Thirdly, the country's self-respect is hurt by the come-hither blandishments towards the MNCs and the abandonment of the policy of self-reliance. It is intriguing to find Mr Rao himself tell the FICCI annual session on the very day when he was confronted with the reports of poll results from the south, that there must not be too much dependence on foreign investment. Perhaps he could divine even at this late hour the temper of the public, though one has to frankly remind him that this craze for large-scale foreign investment has been sedulously fostered by the Finance Ministry of the very Government over which the PM himself presides.

Their darkest hour

The shock of the election disaster has already widened the rift within the ruling Congress. As expected, the Prime Minister is under attack and the clamour is getting widespread for him to give up the post of party president. This demand reflects the lack of unity within the Congress in facing the crisis. Already the Congress leaders are worried about the fate the party would have to meet at the next round of Assembly elections in two months time. And with such a heavy toll of reverses at the State level, can the Congress hold on to Parliament? Already the mood in Parliament makes it abundantly clear that the Government is not only put on the defensive but may not be in a position to present the next Budget. For the first time in three years the economic reforms are being attacked from within the Congress itself. The Finance Minister and his cohorts are under fire—a pathetic situation for a person who has so long been busy collecting awards abroad. It is now becoming clear to the average Congressman that the hustling of reforms without a thorough national debate is part of the hijacking of the economy by the Manmohan brigade acting as the minions of the Fund-Bank bosses.

If the Prime Minister is in a beleagured state, he has only to thank his total reliance on the Finance Ministry operators. It is not only the rising tide of discontent that the Government has to fear, but growing volume of resentment and resistance stretching all the way from the campaign against the MNCs led by Mr George Fernandes, to the tearing exposure of the new GATT by the Left, to the "swadeshi" movement of the RSS. Dr Singh has to prove he is genuinely the Finance Minister of this country instead of a dutiful servitor of the Fund-Bank that he appears. It is the darkest hour for the Congress, thanks to the thoughtless adventurism into which its servile economic restructuring is about to land this great country of robust patriotism.

THE PIONEER 16-12-94

IMPACT ON
EMPLOYMENT

Fund-Bank orthodoxy and poverty in India

Mistakes to learn from

Labour law changes

Tears in the safety net

Govt considering privatisation of municipal bodies

MP government lays off 28000 casual workers

Privatise or be damned, says World Bank

ENS ECONOMIC BUREAU

NEW DELHI

NEARLY 20 per cent of the 23,000 employees of Indian Airlines (IA), which operates 52 aircraft, are redundant.

And, if four staff per bus were to be adopted as an efficient standard for public bus operations then about 3,50,000 public bus employees (about 47 per cent) of the labour force would be redundant, says the World Bank in a report on Indian economy.

The report says that the major privately-owned airline in India has, in about one year, managed to wrest approximately 20 per cent of the domestic inter-city market from the Indian Airlines' grasp. It predicts that the privatisation of domestic and international air services will gain momentum after the amendment to the Air Corporations Act.

Airport development and operations will move also to a "landlord" type operation where many of the facilities will be leased to private operators to sell their services to the airlines, the report adds.

In its study on the reforms in the infrastructure sector, the World Bank says that the steady privatisation of state-owned bus systems has been less dramatic except for the city of Calcutta where the rapid financial and physical demise of the state-owned bus company led to a reintroduction of private bus services into the metropolitan area, where they now enjoy a monopoly.

At the national level, the process is reflected in the decline of public sector buses from 46 per cent of the national fleet in 1980-81 to 33 per cent in 1989-90. The pressure for this reform has come less from poor quality service and more from financial distress. In order to cut losses of the state bus monopolies and maitain services, the least profitable bus routes have been turned over to the private sector which has managed to make a profit without fare increases.

The Bank is of the view that there is a way to push ahead with reform despite the concerns of redundant labour and the power of the unions. This is what the reforms in the infrastructure sector has so far shown. For bus transport the average number of employees per public bus is 7.5 while that for private bus is about 3. Personnel costs of the state operations are about 37 per cent of the total costs while those for private operations varies between 6 and 13 per cent of total costs.

The report says trucking in India has never been publicly provided nor subjected to the sort of detailed government control that has proved to be so costly in many other countries. Under the Motor Vehicles Act of 1939, attempts were being made to protect the Railways from competition by restricting trucks to operations in a single State thereby limiting them to short-haul operations.

The World Bank report says states were allowed to issue national multi-state trucking permits subject to ceilings set by the Central Government and these expanded steadily as freight transport demand grew and the railroads withdrew from hauling privately-owned goods in favour of public sector goods and passengers.

In 1986, the Central Government removed the ceiling on national permits and in one year the number permits increased from 25,000 to 57,000. Today, there is no shortage of trucking capacity in India. The effect of this deregulation and privatisation of trucking has been to shift India from a rail-dominated freight market in the 1950s to road-dominated market in the 1990s.

Commenting on the impact of reforms, the report says that in trucking it has meant the mobilisation of large amounts of private capital and the provision of sustainable, adequate, high quality, demand-responsive freight transport services.

In the case of the airlines it has meant an improvement in the quality of IA's service because of the competitive pressures of the private airlines and has brought private resources to bear where public funds are no longer available. And, in the case of buses it has meant the mobilisation of private resources to provide passenger transport service in areas where service might otherwise disappear.

A second lesson, according to the Bank, is that the private sector in India is willing to invest in and operate mobile pieces of capital equipment that can be removed, sold or used elsewhere on short notice. Hence, the risk of facing the private operator is reduced to acceptable levels. While aircraft, trucks and buses are using fixed infrastructure provided by the public sector, they are actually the providers of services the infrastructure makes possible.

"With public regulation to protect from market failure, all airplanes and all buses in the country could be provided and operated by the private sector as is the case with virtually all trucks on the national highways and all buses in Calcutta", says the report.

INDIAN EXPRESS 9-9-93.

Panel suggests sweeping changes in winding up process of sick units

NEW DELHI, July 15

The Committee on Industrial Sickness and Corporate Restructuring has recommended setting up of five fast track winding-up tribunals with summary procedures to solely examine winding-up cases.

Simultaneously, the possibility of barring overlapping jurisdiction of Civil Courts in the affairs of these winding-up tribunals should also be considered by the Government. It has also suggested that the presiding officers of these tribunals should know the Company Law as well as commercial litigation. The tribunals should be situated at Bombay, Calcutta, Madras, Delhi and Bangalore.

The Committee, headed by Dr. Omkar Goswami, submitted its report to the Finance Ministry recently.

The report has also suggested significant changes in the definition of sick companies, making it voluntary for a sick company to refer its case to the Board of Industrial and Financial Reconstruction (BIFR), changing the Sick Industrial Companies (Special Provisions) Act (SICA) to enable it to override the Foreign Exchange Regulations Act (FERA), invoking article 252 of the Constitution to overcome the barriers to land sales created by the Urban Land (Ceiling and Regulation) Act, increased recourse to mergers, modifying the provision relating to prior State Government approval for closures, changes in the Companies Act and greater use of powers under Section 20 (4) of the SICA by BIFR to sell the assets of a company to be wound up.

The report says that in the final analysis, no amount of changes in the Companies Act or allied laws can accelerate the winding up process as long as the matter is under the official liquidator and being constantly adjudicated by the High Courts.

In addition, the report says, the Government must strengthen the process of recovering debt from working, viable companies. This can be done by setting up of five recovery tribunals only for recovering corporate debts to secured creditors to cover cases exceeding Rs. 50 lakhs. There should only be summary procedures, and a "complete code for recovery", which may be used to prevent the overlapping jurisdiction of civil courts.

The report says that barriers to restructuring serve only one overriding purpose of maintaining an array of inefficient promoters and managers in the public and the private sector, who justify their incompetent existence on the ground that their firms "protect" employment.

"Irrespective of ideology, industrial and corporate restructuring has to be thought as methods that maximise future payments to labour and to secured creditors. Conversely, barriers to restructuring help inefficient capitalists maintain their stranglehold over the assets of a company, and encourage them to renege on their obligations to banks, financial institution, the Government, the workers," the report says.

The report says that for any meaningful restructuring, the responsibility of industrial and corporate reorganisation must shift from secured creditors and the State to the defaulting debtor firms.

According to the report the definitions of sickness in SICA and in the proposed amendment to it are serious barriers to reorganising unhealthy industrial companies because they primarily identify terminally sick firms. Moreover, SICA definitions are "backward" looking and based on the historical book value of a firm's assets, not its future earning potential, nor its current realisable market value.

In SICA's negative net worth criterion, what matters is that the book value and not market value of the firm is less than its current financial obligations. As such the SICA definition creates a situation where the "seemingly sick" firms exceed the quantum of truly sick ones.

It has, therefore, recommended that the new SICA should eliminate the negative net worth criterion altogether. In its place, the focus should be on incipient sickness. For this purpose, the Government should integrate the financial and industrial sector by using the definition suggested by Narasimham Committee. The definition of sickness should change to default of 180 days days or more on repayment to term lending institution or irregularities in cash credit or working capital for 180 days or more.

The report says that a sick company's own reference to BIFR should be voluntary and not mandatory as required by Section 15 (I) of SICA. Making the company's own reference voluntary will reduce the number of cases that get registered with BIFR and lessen the administrative burden. More signifcantly, it will give freedom to the firm and the secured creditors to work out a reorganisation package outside of BIFR if they so choose and freedom to choose is a cornerstone of basic economic reform, the report says.

Making SICA override FERA, the report says, will encourage foreign investors to take over potentially viable sick companies and, if nothing else, raise the market price and bid values of these otherwise poorly utilised industrial assets. Though this sounds like a radical suggestion, it will attract foreign capital and equity – investing in existing plant is cheaper than sinking funds in a greenfield location.

The Centre, according to the report, should take the lead by asking the Union Territories to grant exemption under sections 20 and 21 of the Urban Land (Ceiling and Regulation) Act (ULCRA), particularly for BIFR schemes. The Government should convene a conference of states and attempt to persuade them to amend these sections to allow exemption to land sale recommended by BIFR, subject to regional master plans. ULCRA is based Article 252 of the Constitution, which gives Parliament the power to legislate for two or more states, given their consent. As such, the Union Government should convince at least the minimum number of states needed to amend ULCRA which is a serious barrier to industrial restructuring.

The report says that except in some states, there is hardly any evidence of labour force presenting insuperable hurdles in private sector restructuring. Nevertheless, there is a major barrier to restructuring the work force due entirely to prevailing practices among State Governments. Sections 25 (N) and 25 (O) of the Industrial Disputes Act require prior permission of the State Governments for retrenchment of workers and permanent closure of industrial undertakings.

The Government, the report says, must try to amend sections 25 (N) and 25 (O) of the IDA so that there there should be no need for applying to the the appropriate Government. In theory, any retrenchment or labour rationalisation recommended by BIFR under a sanctioned scheme overrides the provisions of sections 25 (N) and 25 (O) of the IDA. However, this needs to be clearly notified and publicised since Labour Commissioners of many State Governments seem to be unaware of it.

Furthermore, the report says, the Government should amend the compensation for retrenchment and closure from 15 days' wages to one months' wages per year of completed service. Fifteen days' wages is a niggardly amount and if the Government wants workers to agree to being laid off, it must make the minimum pay-off more attractive.

Chapter VB of the Industrial Disputes Act, which governs lay-off, retrenchment, and closure, applies to undertakings having 100 or more workers. This should be raised to 300 or more, the report says.

The report says that RBI's guidelines for rehabilitation must be altered to abjure the notion of sacrifices and instead address the basic issues in appraisal.

Wherever, write-offs are taken, these should be in the form of debt-equity conversion: the financial institutions should adjust the write-off against some equity of the sick company.

In this connection, the report points out, debt-equity conversion dominates outright writing off: in good future states, the secured creditor holds profitable equity (which it can sell elsewhere or back to the company), while in bad states it is no worse than a write-off.

Mergers and acquisitions, the report says, are the dominant route of industrial and corporate restructuring the world over. In fact, the successes of BIFR have been the merger cases under section 17 (2) of SICA and not rehabilitation schemes sanctioned under section 18 (4).

Given the importance of mergers, the report says, the Central Board of Direct Taxes (CBDT) must play a more facilitating and positive role. Merger proposals that are endogenously designed and passed under Section 17 (2) of SICA must get all the benefits under sections 41 (1), 72 A, 79, and 115 J of the Income Tax Act, and enjoy the overriding status of SICA as do the schemes under section 16 (4).

To aid mergers and financial restructuring of sick companies, the report says, an additional amendment should be tagged on to the proposed Companies Bill which should provide that notwithstanding sections 110 to 112 in the proposed Bill, companies should be allowed to issue share carrying varying rights to voting and dividend, up to a maximum of 25 per cent of their total paid-up share capital.

The report says that the Companies Act even in its proposed form and its implementation works against the simplest type of corporate restructuring –changing the management or directors of a sick industrial company. As such, the Companies Act should be amended so that secured creditors can implement de facto changes in management or the Board of Directors in instances of repeated debt defaults. There must be a clause that when a company defaults on repayments to secured creditors in excess of 180 days, the creditors may, either singly, or jointly secure a change in management, which could include the entire board and appoint a person of their choice as executive or managing director or chief executive.

FINANCIAL EXPRESS 16-7-93

No permission may be needed to shut sick units: Sangma

Our New Delhi Bureau
NEW DELHI 27 APRIL

THE UNION minister of state for labour, Mr P A Sangma, has said the new industrial relations law, now awaiting cabinet approval, will allow companies to close down their sick units without taking the prior permission of the government.

This is being done by abolishing section 25 (b) of the present Industrial Relations Act. Under this law, at present, labour ministries in the states have the power to withhold permission to any company that wants to close a unit and, as Mr Sangma pointed out, there has not yet been a single case where such permission has been granted. Under the new law, this exercise of power by the states will stand abolished.

Mr Sangma said there was no justification for having such a provision (introduced during the emergency) when it does not exist anywhere else in the world. Only France had a similar law, and even there the clause merely says that the government would be "kept informed" of the closure of a company.

The labour minister was speaking at the penultimate session on the concluding day of the annual session of the Confederation of Indian Industry here on Tuesday.

The minister said the new policy was employment-generation oriented and would not lead to putting workers out of jobs.

What it does emphasise is a new work and management culture, where quality, competitiveness and a wage system linked to productivity would become the priorities, Mr Sangma stated.

He was unusually cagey about when the law would come into force, indicating how sensitive the issue was and what the government's political judgement of the situation in the country at present was.

In response to a pointed question, he countered: "Why do you need such a law? Even under the present Industrial Disputes Act, you can retrench workers. In fact, under the new law you will have to pay more more than twice the compensation to any worker you want to remove."

The policy attempts to enforce discipline among the labour force, increase compensation amounts to workers who are retrenched and replace the current tripartite mechanism of dispute settlement with a bipartite one, the labour minister disclosed.

"The purpose is to discipline them (workers) and not to displace them," he remarked.

Commenting on the controversial new pension scheme, Mr Sangma said the government had merely "accepted the proposals" of the tripartite committee that looked into the issue. All the unions were members of this tripartite committee and they had approved the scheme, he claimed.

The objective of the new industrial relations bill is also to encourage the setting up of labour intensive industries, and not capital intensive or high technology ones, he said.

The labour minister said the new policy was important to create employment for an estimated 94 million people who will be unemployed by the year 2002. Since the growth rate of the labour force has been at a rate of 2.5 per cent and population growth at a rate of 2.1 per cent, this target of near-full employment could be achieved only by an employment growth rate of 2.8 per cent.

"The policy has been so designed that India's biggest human resource, its people, do not become a liability but an asset," he said.

ECONOMIC TIMES 28-4-93.

Labour law changes to give free hand to MNCs

By Shantanu Guha Ray

NEW DELHI, Nov 16

The Government is contemplating major amendments in the labour laws, especially those relating to recruitment and retrenchment soon after the Assembly elections that would give the multinational corporations (MNCs), a virtual free hand to control the workers in case of joint ventures or takeovers.

Highly-placed industry sources told Financial Express that repeated indications to this effect have been given to representatives of a number of American and West European MNCs that have called on the Ministry of Finance during the last six weeks to discuss their investment plans in the country.

The Finance Ministry was initially in the favour of retaining the old laws for the existing companies and draft new regulations for takeover and joint ventures by foreign companies.

But since such a move is likely to be jettisoned by the Supreme Court, the Ministry felt the best move would be to drastically change the existing laws, notwithstanding political pressures from various quarters.

The move, it is reliably learnt, has the blessings of the Prime Minister, Mr P V Narasimha Rao who asserted that economics must take primacy over politics - and the support of representatives of the Bombay Club that recently met the Finance Minister, Dr Manmohan Singh.

Sources further said the Finance Minister had recently deliberated upon the issue with the Labour Minister, Mr P A Sangma, who was averse to any change in the existing labour laws of the country.

But despite such objections from Mr Sangma and the country's trade unions, the Finance Ministry with the backing of the Prime Minister is going ahead with its plans to redraft the labour laws.

The sources further said the sectors likely to be affected because of the proposed labour laws are power, steel, textile and oil, where New Delhi is seeking the maximum foreign investment.

According to sources representatives of a few French and Japanese companies, who also called on the Finance Ministry officials, were told that the Government was undertaking this exercise to attract more investment in the aforesaid sectors, especially from companies that have showed interest but complained about the country's rigid labour laws.

"The representatives, especially the Japanese told the Finance Ministry officials that despite having the best technology and better management practices, the rigidities in the labour market posed major problems for them to operate in India", sources said.

Interestingly, this is the second time the MNCs have made a series of representations to the Government. Earlier, the MNCs had urged the Government to introduce further liberalisation in the financial, public sector and the consumer goods industry.

FINANCIAL EXPRESS 17-11-93

Wagon industry reels as railways halt orders

More than 10,000 people working in the wagons industry face an imminent threat of being thrown out of job following the total absence of fresh orders from the railway ministry. Another 15,000 workers in the ancillary industry are also likely to be rendered jobless.

Since most of these wagon units are located in the eastern part of the country and as more than 70 per cent of the workers belong to West Bengal, Chief Minister Jyoti Basu wrote to the Prime Minister and also met him recently to apprise him of the gravity of the situation. He is also learnt to have told P V Narasimha Rao that labour is getting restive and that the railways should start placing orders on these units without further delay.

Minister of state for industry Krishna Sahi also called upon railway minister C K Jaffer Sharief to impress upon him the need for the railways to take immediate remedial action to prevent the labour situation in the eastern sector reaching a flash point, especially during the current festive season.

The situation has arisen since, for the first time after independence, the railways, instead of placing orders with these units for the entire year, asked for its requirements of the first six months only. It was understood the order for the next six months would come much before the six months are over on September 30.

The wagon industry, which consists of six units in the public sector and five in the private sector, had delivered 10,750 wagons till September 30 against earlier orders. Though it was expected that an order for another 10,750 wagons for delivery during the second half of the year would follow automatically, it is now learnt that because of the resource crunch and diversion of funds for gauge conversion work, the wagon order may not materialise.

Industry sources allege that the authorities are paying more attention to gauge conversion activities because of short-term political gains. Though the government is spending huge sums on procurement of the state-of-the-art electric locomotives from Asea Brown Boveri, all its efforts would come to nought if these locos do not have sufficient number of wagons to haul.

Officials say that though at present there is slight sluggishness in the economy and the railways fell short of its revenue earning traffic by six million tonnes in the first six months of the current year, this is not a good enough reason to stop the procurement of rolling stock. This, they say, is a temporary setback because of restructuring of economy whereby the government has stepped down its investment. As finance minister Manmohan

Singh has also pointed out, this phase is expected to be over shortly and the economy will register a growth of around six per cent per annum.

The government is hopeful of a substantial improvement in the production of steel, cement, petroleum products, foodgrain and fertilisers. Simultaneously, there an import-export surge is expected.

If transport and power generation do not pick up during this period, this will act as a damper on the economic revival effort.

Industry sources point out that keeping in view this scenario, any action which stops augmentation of transport capacity, including railway freight, may have a severe impact on the country's drive for pushing the economy ahead.

BUSINESS STANDARD 11-10-93.

Tears in the safety net

Last June, Daulat Singh, a 47 year old technician in the India Tourism Development Corporation (ITDC) run Hotel Janpath took voluntary retirement and accepted Rs 1,25,000 as compensation money from his hotel. Singh felt that this was the best option open to him after 23 years of service in the hotel.

Today, a year later, Singh has run out of cash. He used up the entire amount for his son's wedding and adding a room to his house. Having opted for a VRS, he could not join any public sector firm. None in the private sector too was willing to employ him. Singh did consider the possibility of setting up his own business but gave it up because he "did not know what to do or where to begin". Singh is now faced with the prospect of having to support the household and finance his daughter's wedding — all without a job. And his three sons, who stay with him, have refused to help. "I don't know how long I can carry on without a job," he says.

Singh's story is illustrative of the way workers taking voluntary retirement in public sector companies have used their money. With no guidance from the management or trade union leaders, these workers have spent their compensation money on weddings, repaying old debts and meeting family expenses.

Only a few have bothered to invest the money or used to set up their own business. For instance, Khemchand, a bar assistant in Delhi's Lodhi Hotel opted for the VRS fearing that the hotel would soon close down. He received Rs 129,000, which he used to help his son set up a small provision store. Though only 49 years old, Khemchand decided not to accept a new job and claims that he was even offered a job as 'bar-in-charge' at Kwality Restaurants, which he rejected.

But Khemchand is an exception and nearly eight months after the National Renewal Fund was given the final go-ahead, its promoters can claim few success stories. In fact, in most cases the VRS programmes financed by the fund are achieving results exactly opposite to that envisaged by the planners.

The NRF was conceived as a social safety net for workers affected by industrial restructuring and as a fund for the retraining and redeployment of retrenched workers. But the NRF has so far functioned primarily as a fund for voluntary retirement schemes in the public sector: out of Rs 1,529 crore disbursed under the NRF, the entire amount has been used for VRS. And its plans for retraining, redeployment and counselling of workers on how to use their compensation money have still to take off.

And the VRS programmes too have failed to meet the targets originally envisaged. One indicator is that last year, companies could not use the entire amount of Rs 829 crore disbursed for the purpose. Around Rs 179 crore is unused and has been transferred to the NRF public account.

This is not surprising. Especially because few companies have bothered to follow up the VRS with counselling or retraining services. Among the public sector units which have been allocated money under the NRF programme are: Bharat Heavy Electricals Limited, the Steel Authority of India Limited, the Delhi Transport Corporation, (Rs 90 crore), the Cycle Corporation of India Ltd, (10 crore), the Hindustan Steel Works (Rs 60 crore), the National Industrial Development Corporation, (Rs 0.50 crore), the Tyre Corporation of India Ltd (Rs 8 crore) and the National Bicycle Corporation of India Ltd (Rs 1 crore).

Workers allege that companies often use pressure tactics to force them into accepting the VRS. For instance workers at the ITDC, the NIDC, and the NPCC, say that their departmental heads told them that if they do not take the scheme they would be transferred out into remote locations. Some say, that the management told them that the unit will be closing down and that the VRS is the best option for the worker.

Purushottam Rawat, a room attendant in Lodhi hotel for 23 years, said he accepted the VRS when his departmental head called him and said the hotel is to be closed. If he did not accept, he would be transferred to a faraway city. By the time the hotel closed its VRS in June 1992, nearly 1,100 employees had opted for it.

Similarly at the NIDC. When the scheme was introduced in May 1990, there were few takers, which the management attributes to suspicion of a new scheme. But unions allege that the management forced people to accept retirement. B.L. Rawal, head of the NIDC Staff Association, alleges that he was pressured, but managed to resist. A.K. Maitra, GM, human resource development, denies this. So far, 48 people have accepted the VRS and Rs 1,40,00,000 has been spent, of which NRF assistance amounted to Rs 60 lakhs, he says.

But it is clear that no company has bothered to create a safety net for the worker. Neither have the unions tried to educate the workers on how to use the money received as compensation. Says D. Thankappan, labour leader, Unions have traditionally been powerless in preventing workers from taking VRS because their association with the workers stops at the factory gate. They are not involved in the socio-cultural life of the workers." His contention is that workers will continue accepting the VRS for lack of a better option and the management's terrorising tactics.

Some trade unionists however claim that the workers are to blame. "They don't come to us. How can we help them then?", asks a union leader of one public sector unit. True, but even if the workers do approach the trade unions for help, they say, the unions don't co-operate. Trade unions do not want to endorse the VRS programmes and believe that advising a worker on how to use his funds or strike a better deal with the management would go against their principles say workers.

Thus, without the unions or the management to counsel them on life after VRS, the workers often squander all the compensation money on sundry expenses without investing for the future.

Industry ministry sources assure that this will soon change. The government will step in with retraining and redeployment programmes this year, a senior bureaucrat promises. That is, as soon as funds are available. Rough estimates by the ministry show that for training the 40,000 odd workers who have taken the VRS so far, Rs 60 crore will be needed.

But funds are not forthcoming. The industry ministry officials blame the finance ministry for not providing enough funds for the NRF. Says one bureaucrat in the industry ministry, "We are hopeful that the request for more will be accepted during the debate on supplementary grants in Parliament in July."

The finance ministry is silent about where money for the NRF will come from. The amount allocated, so far, is short of the targeted amount of Rs 2,400 crore. The shortfall is largely because the government failed to meet its targets on PSU disinvestment (Rs 1,913 crore has been gathered as compared to a target of 3,500 crore for 1992-93).

Worse, Manmohan Singh recently declared that around $600 million of unused IDA (International Development Agency) assistance would be used for a new social safety net. Government officials are not sure what the new scheme is. Neither can they explain why the government is not using these funds for the NRF which needs additional cash. Says a senior finance ministry official, "A decision on the use of IDA money will be taken once the loan comes through. The main purpose of seeking such an assistance is to ensure that unutilised loans do not lapse."

As for more funds for the NRF. Well, that depends on whether the Parliament clears additional grants for the purpose in the next session.

BUSINESS STANDARD 9-6-93.

MP government lays off 28000 casual workers

FROM BHARAT DESAI

Bhopal, Aug. 3: Nearly 28,000 daily wage earners employed by the Madhya Pradesh government lost their jobs yesterday, in an austerity drive launched by the Digvijay Singh government aimed at laying off temporary staff recruited after a ban on fresh appointments was imposed five years back.

Even as diehard supporters of the state chief minister, Mr Digvijay Singh, were trying to justify the austerity measure, the government decided to extended air travel facilities to employees earning a basic salary of Rs 2,000. So far, the facility was available only to those drawing a basic of more than Rs 3,000.

The Gwalior bench of the Madhya Pradesh High Court today stayed the retrenchment and fixed August 7 for the next hearing on a petition filed by the trade unions. However, the government is still justifying the laying off on the ground that the appointments were made in gross violation of the standing ban orders.

Trade unions, Left parties and the BJP quickly took up cudgels on behalf of the sacked workers and began planning demonstrations, bandhs and rallies here over the next week.

Copies of the retrenchment order will be burnt in all district headquarters and even unions sympathetic to the Congress(I) have been forced to condemn the decision. The retrenchment move will particularly affect the departments of public works, public health engineering and irrigation which employ most of these daily wagers.

The austerity move is likely to save the state upto Rs 50 crores annually. The government has

NBT exhibition

FROM OUR CORRESPONDENT

New Delhi, Aug. 3: In the days of television and video-games, children are fast losing their reading habit. In order to revive the popularity of books, the National Book Trust (NBT) is organising a series of book exhibitions in the capital this month.

The month-long exhibitions, beginning from today, will have childrens' books written in Hindi, English, Punjabi and Urdu. Talking to newspersons, Mr Arvind Kumar, NBT director, said, "The earlier exhibition in Delhi was a big success," and the NBT is now engaged in novel book-promotion experiments.

For instance, the publishing House will start a system of gift coupons.

promised employment to the affected workers and has issued directions to enrol the affected workers in the employment office under a special category whereby they can be provided other jobs on a priority basis. Instructions have also been issued to re-employ these persons under the Integrated Rural Development Programme (IRDP) and the Jawahar Rozgar Yojana.

The state government has also warned that those found violating the recruitment ban will have to pay the daily wage workers out of their own salaries.

The government had issued orders banning fresh recruitment from December 31 and had also decided to regularise the services of all those who had joined before the cut off date. Despite this, appointments in the works department continued without government justifying the laying off on the ground that the appointments were made in gross violation of the standing ban orders.

Significantly, Mr Singh had made the announcement last week just after a meeting of the state planning board, which is also supposed to have approved the measure.

The agitation by the trade unions will be the first major challenge for the Digvijay Singh government.

Govt considering privatisation of municipal bodies

by Renu M R Kakkar

FE Bureau

NEW DELHI, Feb 18

Municipal bodies in the country are sought to be privatised according to a proposal being seriously considered by the Government and the Planning Commission, official sources said.

The Government intends to take up towns all over the country run by privatised municipal bodies and serve as model towns for the rest of the country. The Infrastructure leasing and Finance Corporation based in Bombay has been in active consideration with the Urban Development Ministry to concretise the proposals to this effect.

The ILFS has been asked to study proposals to this effect and come in for discussion with the Urban Development Secretary, Mr R K Bhargava on February 11.

The Urban Development Ministry in its budgetary proposals has made a provision for a grant of Rs 100 crore for investment in the four metropolitan cities to cater to urban transport, waste disposal, sewerage and slum upgradation.

Another Rs 100 crore investment is envisaged for improving the road capacity of metropolitan and second order cities having a population of more than three lakhs for construction of roads, flyovers overbridges, street lighting etc.

But the Planning Commission view is also evident considering clear indication of its intention to cut down the annual plan budget beyond the approved Rs 550 crore as per a letter to the Ministry dated January 15. This would mean withdrawal of funds from such schemes pushing the sector towards privatisation of these bodies or at least a majority of their services to generate the requisite funds.

In fact the first tightening of the fist over budgetary allocation for municipalities by the Planning Commission was indicated on Tuesday with cut in the budgetary allocation for the next financial year for the New Delhi Municipal Corporation of Delhi in the current year.

As per information available, the Planning commission has cut down its plan allocation by at least 25 to 40 per cent. In transport sector, NDMC has been allotted Rs 600 lakh as against Rs 800 lakh demanded.

In the power sector, NDMC has been allocated Rs 800 lakh against their proposed allocation for Rs 1,000 lakh. The Planning Commission has given only Rs 100 lakh for various schemes indicated by the New Delhi Municipal Corporation against last year's allocation of Rs 174 lakh.

This in effect is the first indication that the Government is urging the municipalites to churn out their own finances as the Government has hardly any money to dole out. The whole idea is that the work of municipalities is actually income generating and it is only to impress upon them that they make their own jobs remunerative.

FINANCIAL EXPRESS 19-9-92.

Fund–Bank orthodoxy and poverty in India

MADHURA SWAMINATHAN

OVER the last 20 years, the Bretton Woods institutions have disbursed loans for "stabilisation" and "structural adjustment" to more than 70 developing countries. These loans carry tough conditions that cover a wide range of domestic policies and institutions in borrower-countries. The implementation of orthodox stabilisation and structural adjustment programmes has been disastrous for the working people and the poor of the countries in which these programmes were imposed.

Although different functions were envisaged for the Bretton Woods pair, the International Monetary Fund (IMF) and the World Bank, when they were conceived, the division of responsibilities blurred over the years. In the 1980s, there was extensive overlapping in the work of the two institutions and they collaborated explicitly in designing loan-programmes for structural adjustment in specific countries.

In the first 20 years of the IMF, over one-half of its resources were used by industrial countries. Over time, industrial countries stopped borrowing from the IMF, and it became a source of credit almost exclusively for developing countries. This process accelerated after the start of the debt crisis in 1982. There is now a clear division between borrowing and non-borrowing members of the Fund, a shift associated with a gradual phasing-out of low-conditionality loans. By 1981, financial assistance from the IMF was, in the words of an IMF publication, "conditioned on the adoption of adjustment lending." The new types of loans and the new environment of lending are associated with new conditions. IMF conditionality now pertains not just to balance-of-payments or exchange rate and price policies but to a large number of structural features of an economy. Conditionality has become more wide-ranging and more stringent.

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A similar development occurred with respect to lending by the World Bank. Until the mid-1970s, the World Bank lent money primarily to finance development projects. The conditions imposed on the borrower related to performance in respect of specific projects. From the 1970s, however, the World Bank began non-project financing. In the early 1980s, the World Bank introduced Structural Adjustment Loans (SALs) and Sectoral Adjustment Loans (SECALs) and their share in total lending has increased steadily.

This shift in the nature of lending was associated with a broadening of the conditions imposed on the borrower. The conditions attached to structural adjustment loans are economy-wide and include those on trade policy, public finance, the ownership and management of public sector enterprises, and agricultural and industrial policy.

With the debt crises of the 1980s, and with both the IMF and the World Bank lending for stabilisation and structural adjustment, "cross-conditionality" came into force. The World Bank, for example, may not agree to a SAL unless the borrower-country has accepted the terms of a stand-by agreement with the IMF. To take another example, a borrower may have to change exchange rate policies as part of an agreement with the IMF and, later, change other trade policies, such as tariff policy, to qualify for a loan from the World Bank. Together, the two Bretton Woods institutions are able to impose a host of conditions on the economies of developing countries. In what would have seemed a role-reversal in earlier years, the IMF can now impose conditions on specific sectors rather than on macroeconomic variables and the World Bank can impose conditions on macro-management rather than only on specific sectors, and it is now difficult to distinguish between the conditionalities of the two institutions.

The need to study the effects of orthodox stabilisation and structural adjustment programmes comes from the fact that they have been implemented in large parts of the developing world. In sub-Saharan Africa alone, in 1990, nineteen countries had stand-by or SAF (Structural Adjustment Facility) or ESAF (Enhanced Structural Adjustment Facility) arrangements with the IMF. In 1992, thirty-five countries of Asia and Africa had SAF agreements and another 19 countries had ESAF agreements with the IMF. The countries of Latin America, of course, were major recipients of IMF finance in the late 1970s and the 1980s. With respect to World Bank lending, 55 countries had received SALs and SECALs by 1988.

The typical elements of an orthodox stabilisation and structural adjustment programme are first, fiscal austerity, monetary contraction and devaluation, and second, a set of policies at the sectoral and micro level. The second set of conditions focus on "reform" of "policies and institutions" and include privatising public sector enterprises, deregulating financial markets, deregulating agricultural prices, removing trade barriers, and deregulating the labour market.

There is now a large literature that documents the consequences of stabilisation and structural adjustment programmes on the economies and peoples of developing countries in all parts of the world. Orthodox stabilisation and structural adjustment programmes have been criticised, in India as elsewhere, on three major grounds. The first is that they undermine the sovereignty of borrower-nations. The second is that orthodox programmes have failed to stimulate social production and economic growth. The third is that these policies impose a severe burden on the poor.

An unambiguous conclusion from the international experience is that the victims of the process of structural adjustment are the poor and the property-less. I shall attempt to illustrate the impact of structural adjustment on the poor in India by examining changes in the 1990s in income-poverty, expenditures on education and health and the public food-distribution system.

Current evidence suggests that income-poverty probably worsened in

Table 1: Number of unemployed: projections

Year	Base scenario	High growth scenario	Low growth scenario (in millions)
1991-92	13	14	16
1992-93	14	18	22
1993-94	15	19	25

Note: The base scenario refers to the case without stabilisation, that is, where projections are based on the trend observed in the growth of output and employment during the 1980s. After stabilisation, two sets of growth projections, made by the National Institute of Public Finance and Policy in 1991, are used for estimating unemployment in the low growth and the high growth scenarios.

Source: S. Mundle, "The Employment Effects of Stabilisation and Related Policy Changes in India 1991-92 to 1993-94" in Social Dimensions of Structural Adjustment in India, ILO-ARTEP, New Delhi, 1992.

Table 2: Central Government outlays on programmes for poverty alleviation (at constant prices, 1980-81 = 100)

Year	Outlay		Outlay as % of	
	In Rs. million	Index	total expenditure	GDP
1989-90	13610	100	2.98	0.61
1990-91	11890	87.3	2.54	0.50
1991-92	8940	65.7	2.05	0.37
1992-93	11340	83.3	2.50	0.45

Source: Deepak Nayyar, Economic Reforms in India, ILO-ARTEP Working Papers, New Delhi, 1993, Table 2, p 33.

India between 1991 and 1994. Although National Sample Survey data on consumer expenditure are not available for the 1990s, scholars have inferred an increase in income-poverty from other types of evidence.

First, the structural adjustment-induced stagnation of the economy over the last few years resulted in more unemployment. According to Sudipto Mundle, the extra unemployment created by structural adjustment is likely to be at least four million persons a year (openly unemployed) between 1992 and 1994 (Table 1). With a low growth scenario, Mundle estimated that "the additional unemployment created on account of stabilisation would amount to about 10 million persons." Industrial growth stagnated over the last three years, and the growth of rural non-agricultural employment is also likely to have been affected adversely by the industrial recession and overall slowdown in the growth of the economy.

Secondly, inflation has been high in the early 1990s and, although inflation decelerated last year, data for the first few months of 1994-95 indicate that prices are rising again. The consequence of inflation is, of course, the erosion of earnings of people who work for wages and salaries. Inflation was relatively high for the major commodities consumed by those with low levels of income. Inflation in food products was higher than the general rate of inflation from 1991 to 1993. As a very high proportion of household expenditure among the poor is allocated to food articles, inflation in food prices erodes their earnings deeply. The rate of inflation has not been uniform across socio-economic classes. The Consumer Price Index for Agricultural Labourers, for instance, increased at a faster rate than the wholesale price index from 1991 to 1993.

Table 3: Central Government plan outlay on education (at constant prices, 1980-81 = 100)

Year	Plan outlay	
	In Rs. million	Index
1989-90	3194	100
1990-91	3010	94.2
1991-92	2923	91.5
1992-93	2983	93.4

Source: Expenditure Budget, different years.
Note: Nominal figures were deflated with the GDP deflator.

Table 4: Central Government plan outlay: medical and public health (at constant prices, 1980-81 = 100)

Year	Plan outlay	
	In Rs. million	Index
1989-90	1157	100
1990-91	1134	98.0
1991-92	1104	95.4
1992-93	1593	137

Source: Expenditure Budget, different years.
Note: Nominal figures were deflated with the GDP deflator.

Together, increasing unemployment and a reduction in real earnings are likely to have increased income-poverty in both rural and urban areas in the 1990s in India.

At the same time, the government spent less on special programmes that provide income support to the poor. There was a steep reduction, in real terms, in Central Government outlays on programmes for "poverty-alleviation" in the last few years (Table 2). The low priority given to these programmes can also be gauged by the fact that their share in total expenditure as well as in gross domestic product (GDP) declined.

In rural areas, the two major programmes for the alleviation of income-poverty are the Jawahar Rozgar Yojana (JRY), a programme of wage-employment, and the Integrated Rural Development Programme (IRDP), one of self-employment. There was a decline in real expenditure on both these between 1989-90 and 1992-93. The number of families assisted annually under the IRDP declined from 3.35 million in 1989-90 to two million in 1992-93. The number of days of employment generated by the JRY also declined, from 864 million person-days in 1989-90 to 778.3 million in 1992-93.

Providing food security to the poor ought to be an important objective of government policy. Ensuring food security requires that the system of public food-distribution be strengthened.

Even if the public distribution system (PDS) were to cater only to the very poor, it requires large-scale expansion and restructuring. In a recent study, S. Geetha and M. H. Suryanarayana calculated the quantity of foodgrain and associated expenditure required if the PDS were to provide a minimum amount of food to all persons below the official poverty line. To satisfy a foodgrain requirement of 370 gm per person a day, which is the intake level recommended by the Indian Council of Medical Research, they estimated that an *additional* 32.4 million tonnes of foodgrain needed to be distributed. Assuming that the level of subsidy prevalent in 1993 was to continue, the *additional* cost was estimated to be Rs. 58,590 million. These calculations show that even to reach the poor, the PDS needs to be *expanded*.

The present Government, by contrast, aims to *reduce* the size and scope of the PDS. A reduction in government subsidies is an important component of an orthodox structural adjustment programme. The *Economic Survey 1992-93* stated that "while the PDS has to be continued to help the poor, the burden of subsidy on the Central budget has also to be restrained." The same document suggested that a "phased withdrawal of food subsidies by targeting PDS" would help in the control of inflation. The following year, the Government made a stronger statement on food subsidy; *Economic Survey 1993-94* stated that "whereas *elimination* of food subsidy is neither desirable nor feasible in the short and medium term, there is a strong reason to contain it." (emphasis added)

Many suggestions have been made, in scholarly work and in conferences and seminars, on ways to restrict the PDS. One suggestion is to substitute the PDS by an employment generation scheme that provides an equivalent amount of subsidy. Another suggestion is that the PDS only be operated in years of natural disaster, and act, in effect, as a disaster relief system. A third suggestion is for the country to stop holding large buffer stocks, and to purchase grain from the world market in years of shortage. A fourth suggestion, from a World Bank economist, is to provide inferior varieties of rice and wheat in order to restrict the use of the PDS.

While the resources needed to improve basic education and health among the people of India are massive, the commitment to enhancing public health and education and the resources allocated to these two sectors have historically been low and have remained low. India is a country with very low levels of achievement in education, it has the highest concentration of illiterate people in the world, low school-enrolment ratios, and great discrimination against women and girls in the sphere of education. India has the world's largest child labour force. The Education Survey of 1986 found that 28 per cent of primary schools in the country were single-teacher schools and another 32 per cent had two teachers each. Only 56 per cent of primary schools operated out of some kind of permanent building. According to an estimate prepared by UNICEF, the United Nations Children's Fund (1991), if each village in India is to have at least one school up to the middle level, an additional 50,000 primary schools and 440,000 middle schools will be required.

This is the context in which changes in expenditure on education in India must be considered: long-run changes and changes in the period of structural adjustment. Changes in Plan outlay on education by the Central Government since 1989 are shown in Table 3. There was a real reduction in expenditure on education after 1990.

The long-run underfunding of public health services in India continued in the 1990s (Table 4). The share of health expenditure in total expenditure (for Centre and States combined) peaked at 4.8 per cent in 1983-84 and declined thereafter. In 15 major States, real expenditure per capita on medical and public health increased in the 1980s and fell after 1991. The sharpest cuts in expenditure were from preventive disease-control programmes, for instance, programmes for the control of malaria, tuberculosis and leprosy.

In the current situation, the World Bank's suggestion (in its report on *Health Sector Financing in India*) to reduce public expenditure on health and reallocate existing expenditures will be damaging if implemented. As Sonya Gill of the Foundation for Research in Community Health has pointed out, "the long-term underfunding of the public health sector cannot be addressed by reallocating public expenditure from hospitals to rural public health centres." It is well-recognised that successful health care systems are those that provide public health services to all individuals and for a large range of medical services. The recommendation of the World Bank, nevertheless, is that a U.S.-style system be introduced in India, limited and selective rather than universal and comprehensive.

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The changes in economic policy introduced over the last few years as part of the programme of stabilisation and structural adjutment have further aggravated the problems of poverty and deprivation in India. Current evidence indicates that, in the 1990s, income-poverty worsened, government spending on health and education stagnated, and the public food-distribution system remained under-supplied ■

Mistakes to learn from

MADHURA SWAMINATHAN

THE debate in official circles on the restructuring of the Public Distribution System (PDS) has focussed almost entirely on issues of targeting, and specifically on how to *exclude* regions and persons considered to be not-poor. There are important lessons to learn from countries in which a universal system of distribution was replaced by a targeted system; these lessons are summarised in a paper by the economists G. A. Cornia and Frances Stewart.

Universal schemes are associated with what Cornia and Stewart term "E-mistakes," that is, mistakes arising from the inclusion of the non-poor in the scheme while targeted schemes are associated with "F-mistakes", that is, errors arising from the omission of the poor. From their survey of public programmes in nine developing countries, Cornia and Stewart conclude: "In a number of countries, 'targeted' schemes have replaced 'universal' schemes. *In almost every case, the result has been a major increase in F-mistakes....* (emphasis added)

In Jamaica, for example, after a shift from a general food subsidy to a targeted food stamp scheme, F-mistakes rose from nought to 50 per cent. Secondly, Cornia and Stewart observe that, in most cases, the shift from a general to a targeted subsidy led to a reduction in the real value of the subsidy.

To take the case of Sri Lanka, the shift from a universal food subsidy to a targeted food stamp scheme reduced the real per capita food subsidy from Rs. 62 in 1979 to Rs. 21 in 1982.

Thirdly, "administrative costs are estimated to be higher for the targeted schemes, ranging from 2 to 5 per cent of the total costs of the scheme."

In short, the evidence suggests that the shift from universal to targeted schemes can lead to "large welfare and efficiency costs." ■

IMPACT ON AGRICULTURE AND NUTRITION

Farmers fear auction of their gold

Pass the sugar, please

Tripping over seeds

Pepsi turns its back on farm sector

Worms found in imported sugar

Dairy decanalisation on cards

Prices of pulses, rice shoot up

States told to change land ceiling laws

Prawn farming boom may end in bloody conflict

Molasses shortage hits ICDS scheme

At wheat's end

Major liberalisation package for agriculture in the offing

A massive overhaul of the agriculture sector is on the cards following recent discussions between the government and a high-level World Bank team.

Among the major proposals are:

● An overhaul of the Essential Commodities Act;

● Withdrawal of the ban on futures trading; and

● Removal of other domestic controls.

The objective is to extend the liberalisation process initiated in the manufacturing sector to agriculture.

In a series of meetings over the past fortnight, the World Bank team has negotiated the pattern and sequencing of liberalisation in the agriculture sector.

The Bank has also initiated joint studies with the government on the impact of the trade reforms undertaken so far on agriculture.

A blueprint for reform in the sector has been drawn out in the latest World Bank working paper on liberalising Indian agriculture written by Ashok Gulati and Gary Pursell.

Gulati is a director with the National Council of Applied Economic Research and Pursell is principal economist in the trade policy division of the World Bank.

A major problem, according to the paper, is the plethora of controls in the domestic agriculture sector which act as hurdles in its progress towards globalisation.

One such hurdle is the Essential Commodities Act, which according to the paper, must be abolished. The reason is that the Act places restrictions on the operation of markets and traders.

But given that it may be politically impossible to abolish the Act, the Bank is negotiating a compromise with the government on the issue.

According to the paper, the other controls which need to be axed are:

● The ban on futures trading;

● Inventory controls and selective credit controls on inventory financing;

● Discrimination in favour of corporations such as the Food Corporation of India, National Agriculture Cooperative Marketing Federation of India and the Cotton Corporation of India; and

● Commodity-specific controls which restrict free movement and trade of commodities.

Besides removing domestic controls, the paper also wants export controls which depress domestic prices to go — especially for cotton, wheat and rice. It wants import controls and high tariffs on edible oils, oilseeds, sugar and rubber removed too.

The objective is to remove the anti-agriculture bias, the distortions in the incentive structure within the sector and to help it forge links with the global economy.

To that end, the paper suggests that protection to the manufacturing sector must be reduced and agricultural tariffs cut down to a maximum of 10 per cent.

While the Bank is pressing for speedy reforms, the government wants to move more cautiously. A member of the Bank team said the government is concerned about the impact of the proposed reforms on the poor.

BUSINESS STANDARD 28-9-93.

States told to change land ceiling laws

Land ceiling laws are likely to be amended to allow the corporate sector to raise plantations on wastelands for captive raw material use.

With forest-based industries facing supply constraints, the Centre is pressing the state governments to make requisite changes in land ceiling laws which have proved to be the hitch in the plan for involving the private sector in wasteland development.

The Government scheme to attract the private sector in wasteland development has so far found no takers primarily due to the problem of land availability and inconsistent Government policies.

While the Department of Wasteland Development is attempting to attract private industry to use non-forest wastelands for captive plantations, the industry is more keen on using degraded forest land. This has compelled some states to give extra incentives to private industry.

Maharashtra has already exempted horticulture projects on wastelands from land ceiling and is also considering doing the same for private captive plantations.

Madhya Pradesh offer of wastelands in Bhind and Morena districts to private industry on longterm lease has received no response due to the poor quality of the land and a perceived law and order problem. Sources say the State Government is now considering of allowing the non-user industry to set up plantations. Gujarat and Karnataka are planning to involve industry in joint ventures with the state governments to develop wasteland for industrial raw material use.

The Department of Wasteland Development in the Ministry of Rural Development is currently giving finishing touches to a scheme to part finance private plantation projects on wastelands. This scheme will be a modified version of the Margin Money Scheme which extended Central assistance to farm forestry projects undertaken by Government, semi- government and other such organisations. The scheme met with total failure.

The revised version of the scheme called the investment promotion programme will include the corporate sector in its ambit. Under the scheme upto 25 per cent of the project cost or Rs 25 lakh whichever is less, will be given as grant by the Department of Wasteland Development, 50 per cent of the total cost will be met by Nabard or any other financial institution and 25 per cent by the promoter.

However, despite the corporate sector having actually pushed for private involvement in wasteland development, preliminary feedback from industry has revealed that the scheme would not attract any investments as long as there are restrictions on acquiring land. Industry has also demanded a long-term lease of atleast 40 years on land, preferably government revenue land.

Interestingly, wastelands have yet to be clearly identified. Wastelands are defined as degraded underutilised land, deteriorating for lack of appropriate water and soil management or on account of natural causes and which can be brought under vegetative cover with reasonable effort. The major portion of wastelands in the country is concentrated in Rajasthan, Madhya Pradesh and Maharashtra.

The quantum of wastelands is a disputed figure. While non government organisations have estimated that there are over 175 million hectares of wastelands in the country, satellite images from the National Remote Sensing Agency has revealed that non forest wastelands cover 55 million hectares. The Minister of State, Department of Wasteland Development, Col Ram Singh has constituted a committee to reconcile these figures. Meanwhile State Governments have been asked to identify wastelands in every district.

According to estimates the projected demand for industrial timber in 2000 AD will be 55 m cubic metres. Currently, the demand supply gap is 15 cum.

FINANCIAL EXPRESS 29-9-93.

UNCTAD to assist commodity futures

The appointment of Kabra committee to review working of commodity futures markets has not come a day soon.

THE appointment of a committee by the government of India under the chairmanship of Dr Kamalnayan Kabra to review the working of commodity futures markets and the Forward Markets Commission with a view to reviving futures trading in commodities for promoting their exports has not come a day soon. The group of experts convened by Mr Kenneth Dadzie, Secretary-General of UN Conference on Trade and Development (UNCTAD) for improving the efficiency and use of mechanisms for the management of risks arising from commodity price fluctuations has concluded: "well functioning futures contracts are the most transparent and efficient mechanism for price discovery and risk sharing for internationally traded commodities as well as for commodities traded on domestic or regional markets and should be promoted where feasible."

The UNCTAD expert group was drawn from both the developed and developing countries and had representatives of not only leading international exchanges, but also of the World Bank as well as even government organisations of communist countries like China and Cuba, besides a few individuals. The group represented both the producing and consuming countries in both soft commodities and metals. The proposals finalised by the group will be placed before the standing committee of UNCTAD on commodities, consisting of government representatives from 87 countries in the world, including India, in early November.

At the eighth session of UNCTAD held at Cartagena in February 1992, Governments had recognised the importance of exploring new approaches to minimising the risks arising from commodity market fluctuations. Government had then urged the UNCTAD Secretariat to "explore various mechanisms, problems of crediworthiness, and modalities of overcoming such obstacles."

For that purpose, it had asked UNCTAD to examine "(a) the conditions, both technical and regulatory, for encouraging maximum participation in, and usage of, commodity exchanges by both buyers and sellers of commodities, and (b) proposals to address these conditions" with the help of a group of governmental and nongovernmental experts. The proposals now finalised by UNCTAD were in response to this Cartagena commitment.

The group has, therefore, "urged commodity exchanges, UNCTAD and other international organisations to study the problems involved in developing domestic and regional exchanges (including ways to bring existing exchanges up to the standard of internationally oriented ones), and to provide practical advice and information on the setting up of new exchanges or alternative price formation mechanisms when appropriate." For the development of such modestic and regional exchanges, the group has stressed the need for enhanced technical and financial support from international exchanges and UNCTAD and the World Bank.

The UNCTAD proposal on the development of national exchanges has reat significance for India, which has large domestic as well as export markets in many commodities like cotton, oilseeds and oilseed products, jute and jute goods, spices, coffee and even non-ferrous metals, besides foodgrains like rice and wheat. To strengthen domestic marketing and its infrastructre besides improving price discovery in the domestic market, it is essential to develop national exchanges in most of these commodities.

Before the Independence, India had a tradition of commodity futures and option trading, which began at almost the same time as in USA and Uk around mid-1990th century. Disappointingly, with the dawn of planning, labouring under the socialistic misconception that speculation in futures markets is injurious to commodity marketing and pricing, the government shut down most exchanges, permitting only a few minor ones under such stiff regulations that even these remained far from useful to the market functionaries. As a result, not only are the exchanges now in a dilapidated conditions, but also marketng infrastructure for most commodities has remained undeveloped even after four decades of planning.

In these pathetic circumstances, the UNCTAD proposals verily offer a helping hand to the futures trading industry in India. As it is, the need for well-developed, organised commodity exchanges cannot be overemphasised for a large-sized economy like India, which has now abandoned the socialistic pattern and adopted the liberalisation process with emphasis on market orientation.

Besides recommending the establishment of national and regional exchanges, UNCTAD's expert group has made a number of far-reaching policy proposals to improve the conditions for encouraging participation in and usage of commodity futures and options exchanges.

As government policies such as foreign exchange regulations, taxation systems, tariff and nontariff barriers to imports and exports, price controls and the like often impede even the proper functioning of the spot market, let alone the use of risk management instruments in the futures market, UNCTAD has proposed that the technical assistance provided by the international organisations should be strengthened to enable governments to evaluate better the impact of their policies on the present and prospective users of commodity exchanges. As most governments of developing countries and economies in transitions have set up controls on capital flows, the expert group has also recommended to UNCTAD to draw appropriate guidelines to assist governments in minimising the possible negative impacts of such controls on the legitimate use of risk management instruments in commodity exchanges.

In order to contain the problem of manipulation, the group suggested that (a) the opportunities for manipulation be reduced by encouraging broad-based participation in the trading of contracts and ensuring appropriate delivery conditions including warehouse locations; (b) market users be assisted by devising suitable trading strategies that will minimise injury from manipulation attempts; (c) rules and regulations concerning manipulation should be well-defined, strong, fair and transparent to deter manipulators from holding the market to ransom; and (d) periodic discussions be held in an international forum to exchange regulatory experience at curbing manipulation.

Even though considerable research work has been done in USA and other countries on the use and working of futures market, the UNCTAD's group of experts identified three areas in which in-depth studies seem necessary at the international level to promote participation in commodity futures.

Secondly, the entry of investment funds in international commodity exchanges in recent years has raised many eyebrows. The influence on markets needs a careful study to ensure that their entry in a big way does not discourage participation by buyers and sellers of physical commodities. The expert group also recommended that UNCTAD and the World Bank should jointly undertake work on reporting requirements by exchanges and regulatory authorities "with respect to the structure of market participation. including a survey of existing systems and their limitation as well as suggestions on how such information could be made more useful to market participants.

Clearly, UNCTAD has now broken a new ground in the field of commodity futures and, in cooperation with the World Bank, seems ready to offer both technical and financial assistance to the developing countries in organising futures exchanges. The government of India should seize this unique opportunity to develop new exchanges and upgrade the existing ones in as many commodities as possible, not only to strengthen their domestic marketing but also to enhance their export competitiveness.

India already holds a premier position in several commodities like cotton, oilseed and oils, jute and jute goods, sugar, rice in terms of output and market size. In many of these commodities, India can, therefore, develop regional exchanges to serve even the neighbouring countries as well as those in South-East Asia. In that event, the commodity exchanges will even prove to be a valuable foreign exchange earner for the country. And, some of the Indian exchanges may gain the statues of international exchanges as well. But will the Indian governent and the futures trading industry act fast in that direction? UNCTAD has already shown the way. Perhaps the Kabra committee can set the gear.

ECONOMIC TIMES 18-10-93.

At wheat's end

One of the important announcements made by Mr P.V. Narasimha Rao during his Independence Day address to the nation from the ramparts of Delhi's Red Fort related to the proposal to release surplus wheat to bakeries so that the price of double *roti* could come down.

His a gument was that the country's agricultural production has grown so much that there is no space in the godowns to store foodgrains any more. The embarrassment of riches has been made even more acute because, despite the noble resolve articulated over and over again, India cannot become a major player at the moment among agricultural exporters of the world. Consequently, while farmers are producing more and more, the stocks are growing and causing a strain on the government and public sector organisations like the Food Corporation of India.

The prime minister then went on, on the basis of this logic, to offer a part of such surplus grains to the manufacturers of leavened and baked bread so that prices of loaves could be brought down. It is interesting that Mr Rao did not offer to release this additional amount of wheat directly to the consumers through the public distribution system or otherwise so that the humble roti or *chapati* or its equivalents are the staple of the ordinary citizen.

Leavened and baked bread may raise a toast among the urban and relatively affluent consumers, but for the rest of the population the exhortation to eat bakery produced bread may be as cruel as Marie Antoinette's remark about the French *sans culottes*: "Let them eat cake".

Indeed, there is an interesting French sidelight to the issue of bread. The great historian, Fernand Braudel, gives an interesting explanation why French bread is so light and long compared to baked bread in other countries. The price of bread has always been an important issue in France and few governments dared to survive untroubled if bread became expensive during their regime.

Thus, while real inflation did affect the economy, a pretence was made to reassure the French citizenry that the bread supplied to it did not get smaller. Since price was fixed, the only alternative was to reduce the flour content and make the bread look long enough even as it became lighter.

The Indian case is, of course, different but it is also not so different after all. Unleavened bread which is light and fluffy and rises while it is baked — double rotis must replace real rotis in times of inflation. Give us this day our double roti and forgive us our trespasses!

The problem is also that the crisis of over population which the prime minister alluded to is also as unreal as the vision of India — feasting on toast and butter. The foodstocks that Mr Rao finds so great are on account of abysmal consumption levels in the country and the problem has been accentuated by the new economic policies that he and his indispensable finance minister have adopted in the last few years.

It is a fact that food production has been slowly going up in the country but the growth is by no means so dramatic as to cause unmanageable over production. The rise in stocks is attributable more to increased procurement, therefore, than to vastly increased production. And, procurement has gone up because the prices offered to farmers by a munificent Mr Balram Jakhar have gone up so much that they should have shot through the equanimity of Mr Manmohan Singh, a man who self confessedly does not lose sleep easily. Over just the last year, the procurement prices of foodgrains registered a sharp rise of almost 52 per cent.

It is therein that lies the rub. The increase in procurement prices of course encouraged the surplus farmers enough for them to sell more and more grains to the government. While 17.9 million tonnes of foodgrains were procured in 1992, no less than 28 million tonnes were procured in 1993. The godowns were naturally full.

Meanwhile, however, the supply side economists who dominate the present dispensation also indulged in reckless subsidy cutting. And, both — the increased procurement price and denial of subsidies to the poor consumers — resulted in a matching sharp increase in the central issue price of foodgrains — from about rupees two per kilogram of wheat to Rs 4.02.

Indeed, with the PDS being drastically pruned by the enthusiastic subsidy slashers, there was little difference left between the open market and that in the so called fair price shops. In fact, during large arrivals of foodgrains, at times the open market price becomes even less than that charged through the PDS.

It should be instructive for those who bother about accumulating stocks to notice that, precisely during the period when procurement of foodgrains rose dramatically, the sale of foodgrains in the fair price shops came down from 20.8 million tonnes in 1991 to 19 million tonnes in 1992 to 15.1 million tonnes in 1993.

The bald truth, therefore, is what India is suffering from is not a crisis of over production as the prime minister would make out, but a crisis of under consumption. The granaries are overflowing because people are not eating enough. And, the poor "naturally" are eating less than even the low national average. Official surveys show that while the availability of cereals today is almost 25 per cent more than the suggested level in the "balanced diet", the consumption levels of the poor remain far below what is recommended.

The present euphoria about globalisation is premised on offering the recession beset West an enormous number of Indian consumers. It is important to remember that the Indian market is by no means homogeneous. There are undoubtedly 150 to 200 million relatively affluent Indian consumers who are very attractive for those in the developed countries eager to sell their goods and services. It is this segment that is being exhorted to march boldly into the consumeristic cornucopia of the bewitching 21st century.

However, there are also another 300 million or thereabouts who are below the poverty line, eking out an existence somehow, anyhow. And in between there are the rest, drawn by the lure of the first and the reality of the second. A population so fragmented can hardly provide a stable base for an economic system that is both equitable and sustainable.

The problem is that those in decision making positions today treat this social division of India with disdain. If they address themselves to this issue at all, they do so with a callous obsession, with symbolism without substance. The double *roti* announcement is a reflection of that.

Even when there is occasionally some seriousness about poverty alleviation, exigencies of the *status quo* hijack the idea. Thus the Jawahar Rozgar Yojana, which is meant for employment generation for the poor, has degenerated into a mechanism for providing ways and means of support to cash starved states. Many states use the JRY funds for paying their staff. The Bihar chief minister, Mr Laloo Prasad Yadav, even went so far as to declare that since the scheme was to provide *rozgar* and he was using it to ensure the employment of his bloated *babu*cracy, he was doing no wrong.

Meanwhile the poor continue to languish. While India is not quite like Benjamin Disraeli's two nations of the rich and poor, it is united by a vicious continuity between the two. There is no duality, no two sectors, no urban-rural divide that is real. What is real is one segment thrives on the poverty of the other. In the Indian economy breakfast rolls and *bhakhris*, croissants and *sattu* coexist and are dependent on each other.

The double roti dialogue cannot gloss over the fact there is much food for thought in Mr Rao's India.

THE TELEGRAPH 28-6-94

Power reforms in agrarian states affecting farmers

Special Correspondent

New Delhi

FARMERS IN some major agricultural states of the country are likely to be quite peeved with what has happening on the power front of late, with tariffs rising and supply declining. Among these are Haryana, Punjab and Gujarat.

Minister of State for Power P V Rangayya Naidu recently informed the Rajya Sabha, in response to an unstarred question, that the average hours of supply of power per day to the agricultural sector had declined from 16 in 1991-92 to 11 in 1993-94 in the case of Haryana and from 17 to 13 in the case of Punjab.

Gujarat too was able to supply only 15 hours of power per day to the farm sector in 1993-94 against 19 hours per day in 1992-93.

All these states are among those that have fallen in line with the recommendations of the power ministers' conference held in January 1993.

The conference had suggested, among other things, a minimum agricultural tariff of 50 paise per unit. Gujarat adopted this rate in May 1993 and Punjab in October the same year, while Haryana had already done so in June 1992.

In a separate reply, also in the Rajya Sabha, Mr Naidu said these and some other states had implemented the 50 paise per unit norm for metered supply to the farm sector.

The other states that have done so are Madhya Pradesh, Maharashtra, Orissa and Rajasthan. Karnataka has followed this norm for farmers using pumpsets of above 10 HP only.

Of these states, Madhya Pradesh has been able to maintain supplies at about 20 hours per day, Maharashtra has the near unique achievement of 24 hour supplies to the farm sector and Orissa has been able to raise it from an average of 21 hours per day in 1991-92 to 23 hours per day in 1993-94, despite a decline to 18 hours per day in the intervening year.

Rajasthan, on the other hand, has maintained a dismal 8 hours per day to the farm sector, the lowest among the 15 state electricity boards.

Karnataka, which has only partly accepted the norm, has done rather better in terms of supplies, raising them from 18 hours per day in 1991-92 and the next year to 23 hours per day in 1993-94

States which have not fallen in line with the 50 paise per unit norm have, on the whole, done much better in terms of ensuring supplies to the agricultural sector than those that have. In fact in none of these states is the supply position worse off for the farm sector than it was two years back.

Himachal Pradesh shares with Maharashtra the distinction of being the only states to ensure day-long supplies in all three years. Kerala is not too far behind and has maintained supplies at 23 hours per day, while Bengal has been able to raise it from just 19 hours per day in 1991-92 to 24 hours per day in 1993-94

Somewhat behind these leaders are Andhra Pradesh (constant at 16 hours per day), Tamil Nadu (up from 14 to 16 hours per day), Uttar Pradesh (up from 13 to 14 hours per day) and Bihar, which saw a decline from 10 hours per day to 8 hours per day, but was back to 10 hours per day in 1993-94.

THE PIONEER 2-5-94.

National fertiliser industry in doldrums

The statement of the Fertiliser Association of India, the representative body of fertiliser industry in private, cooperative and public sectors, on the fertiliser situation in India in 1994 presents a dismal picture of the national fertiliser industry and its gloomy prospects under the present policy - political dispensation. This vital industry which was developed, to begin with, in the public sector on fully self-reliant basis between mid-sixties and mid-seventies and subsequently attracted significant Indian private investment to expand is now visibly in doldrums.

The most telling indictment in the FAI statement is that "an unhealthy situation" has developed for the industry in which there is "high dependence on imports at a time when domestic production capacity remained substantially unutilised". This is indeed the disastrous consequence of the so-called globalisation policy in which imports of capital goods and services and technology has precedence over domestic effort and enterprise. It is part of a wide-ranging process of de-industrialisation which is casting a shadow on industry after industry - power, fertiliser, hydrocarbons, telecommunications, transport and so on.

In the case specifically of the fertiliser industry, a relatively small reduction in the fertiliser subsidy, together with an increase in the price of fertilisers for the upper segment of farmers was the starting point of this process. The big farmer's lobby, both inside and outside the Government, had its own part to play in it. The upshot has been a near halt to investment for the much-needed expansion of the national fertiliser industry. This too has led to increase in costly imports to meet domestic demand for chemical fertilisers. Ironically, the attempt to cut subsidy for indigenously produced fertilisers has resulted in a steady and far larger increase of subsidy from exchequer on the sale of imported fertilisers in the Indian market.

The representatives of the fertilisers industry, both in public and private sectors, have repeatedly and forcefully flayed the Government and its policies for pushing the industry in a crisis. The case of the industry is indeed formidable. What it adds upto is a charge that the domestic fertiliser industry, which has been painstakingly built by Indian enterprise and skills at great cost, is being undermined. Needless to say, this is very much in the interest of rapacious multinationals engaged in the fertiliser business and seeking to maximise their profits in the Indian market.

The setting up and expansion of the fertiliser industry in India, given high priority after the disastrous drought for two years in mid-sixties, had succeeded in the eighties to a considerable extent in plugging the gap between domestic supply and demand for fertilisers. The need for imports of fertilisers had thus become minimal, especially in respect of nitrogenous fertiliser, urea. But, curiously, in spite of the repeated pleas of the industry that time had come for stopping large-scale imports of urea, the Government on the basis of fanciful demand estimates still tended to go for large-scale imports of this and other fertilisers. Side by side, the Government dragged its feet so far as price adjustments and assistance to the industry for marketing domestic and imported fertilisers were concerned. The market too was regulated in a manner to give preferential treatment to the sale of imported fertilisers so that domestic producers, in public as well as private sectors, suffered huge losses. They have actually been forced in recent years to bring down capacity utilisation.

With profitability of the fertiliser industry seriously eroded, new investment in the industry has tended sharply to decelerate. The Government has even found it necessary and expedient in the face of the budgetary crunch to withhold payments of as much as Rs.1500 crore to the industry which were legitimately due to it. Side by side, the supply of raw materials for fertiliser production, among them gas for HBJ pipeline which was specifically laid to serve fertiliser plants has been curtailed. The Government has suddenly shifted priority in favour of power generation in respect of supply of gas to attract foreign investment in power generation. This is an ill-advised and misconceived move. The optimal use of available gas has to be for fertiliser production and not power generation.

It cannot be fortuitous that official policy has tended to obstruct the growth of the national fertiliser industry on healthy, sustained and self-reliant basis. Excessive imports together with turnkey construction by foreign agencies of new fertiliser plants in India during the eighties had already worked as a recipe made to order gravely to choke the growth of the national fertiliser industry. The Government has not lifted bureaucratic controls over production, prices and distribution of fertilisers either. This is really odd when it is committed to a wide-ranging market-oriented adjustment programme for the entire Indian economy. Finally, cuts have come in the supply of necessary raw materials for fertiliser production. The baneful influence of foreign vested interests, above all, multinational corporations, on official policy in India has indeed become stark in the case of the fertiliser industry.

So far as rising levels of fertilisers subsidy is concerned, the fertiliser industry in India, both in the public and private sectors, does not partake from it any gains for itself. It is entitled only to the pricing of its products in terms of the cost of production on the basis of fairly high efficiency norms set for it. It is the sale of fertiliser to the farmer at below the cost of production which is covered by the Government subsidy. There is no need to question the need of fertiliser subsidy for the farmer either unless it is suggested that subsidy should be given to poor farmers only and the rich farmers should not be entitled to it. It is necessary that pricing of inputs for fertiliser production and of output from the use of fertilisers should be determined meaningfully in terms of a desirable structure of relative prices in the context of the income and consumption pattern at the present level and stage of the development of the Indian economy. This calls for suitable adjustments in the pricing of foodgrains as well as fertilisers.

It would seem axiomatic that the fertiliser selling price should be affordable for the rich farmers producing for the market as well as the poor farmers who produce foodgrains and other farm commodities essentially for their own use and subsistence needs. If the price is too high, the poor farmer will not be able to use fertilisers and the rich farmer too will reduce their use. A low fertiliser price, it may well be argued, does not help agricultural production and can even endanger food security, let alone generate surpluses for export of farm commodities. Adequate quantities of fertilisers must be made available at affordable prices to farmers. The way out can only be that while the farmer pays what he can, the industry gets a price at which it remains viable.

Indigenous production of fertilisers had increased to over 8 million tonne by 1990-91. Production of fertilisers in the country as well as investment in Indian fertiliser industry has since been stalled. Having achieved self-sufficiency in nitrogenous fertilisers, there is a serious danger of losing this advantage in a key inputs for the growth of agricultural production. In the case of phosphatic fertilisers, however, since India does not have the necessary raw materials, Indian industry should aim at value added production of phosphatic fertilisers. Reduction of the fertiliser subsidy,* in prevailing conditions, should not be an overriding policy objective and all that results in the increasing subsidy bill, such as the cost of inputs and the prices of the final products, should be looked at in the proper perspective. Most of the inputs for fertilisers are under the regime of administered prices. These prices should have a relevance for determining the cost of fertiliser production. There can really be no escape from periodic adjustment of the selling price of fertilisers in order to at least partly offset the cost increases and contain the subsidy element within a manageable limit. The fertiliser subsidy can, of course, be eliminated if fertiliser prices are decontrolled. But there are consequences of such a step. The result would be sharp increase in the prices, and an adverse effect on the use of fertilisers, especially by the poor farmer. The stagnation in agricultural production during the nineties, in spite of good monsoon, too is to be attributed to deceleration in the use of fertilisers in the last three years.

That new investment in the fertiliser industry has become slack is indeed disturbing and unfortunate when high proficiency for setting up fertiliser plants has been achieved and the performance of the Indian fertiliser industry has touched international standards. Capacity utilisation, all-India average in the nitrogenous sector, excluding the sick plants, at 98 per cent is comparable to the best in the world. The sick units in the industry are primarily the result of historical circumstances. But they can be cured of their malaise by well-conceived techno-economic remedies. The labour in these plants has shown a high degree of willingness as well as ability to aid any such effort and full advantage should be taken of this potent factor. The official policy for this priority industry should be more enterprising than it has been since the mid-eighties. It should not be guided by the sole criteria of eliminating fertiliser subsidy which was laid down for it by the World Bank/IMF combine and which it accepted under duress in 1991. It is wrong also to depend on liberal import of fertiliser to meet domestic demand for chemical fertilisers. The global market as regards supply and prices of chemical fertilisers is already uncertain and all indications are that they will become more uncertain and volatile in the rest of this decade.

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Agriculture investment rate declines

Observer Economic Bureau

NEW DELHI

THE rate of investment in agriculture has declined in recent years. In many areas the existing stocks of public capital assets are deteriorating for want of adequate funds for operation and maintenance. According to the economic survey if the trend is to be reversed it will require shift in the balance of public expenditure for the agricultural sector from large input subsidies to creation and maintenance of public infrastructure.

The resources for increase in agriculture-related infrastructure are not available if the subsidies provided for water, electricity and fertilisers are not scaled down. Bouyancy in agriculturel investment will require a thorough revamping of the system of rural credit that has been weakened by a culture of non-recovery.

The economic survey mention that most of the effective policies in the agricultural sector will need to come from the states, without which progress in overall economic growth and poverty alleviatiopn will be elusive.

Deceleration in agriculture investment during the eighties has been an area of concern. Gross investment in real terms in agriculture has declined from Rs 4636 crore in 1980-81 to Rs 4,580 crore in 1991-92 . From 18 per cent of the total gross domestic capital formation in agriculture in 1980-821 it has sharply declined to 11 per cent in 1991-92.

The decline in capital formation in agriculture by public sector has come down to Rs 1043 crore in 1991-92 compared to Rs 1796 crore in 1980-81. As per the economic survey the problem of investment in agriculture is not a problem of total availability of resources but of distribution between current expenditure and capital formation.

In the agriculture credit there is a serious problem of overdues which hasbeen inhibiting credit expansion and economic viability of the lending institutions,in particular the cooperatives and the RRBs.

The economic survey does mention about the occurrence of about 200 swarmlet incursions in the district of Jaisalmer, Barmer and Bikaner of Rajasthan and Banaskantha and Kutch districts of Gujrat from the western border during July to October last year.

The monsoon turned out to be satisfactory but the prospects of this year 's food grains output equalling or even surpassing record level of 180 moillion tonnes achieved in 1992-93 is a distinct possibility. The conditions for sugarcane were ideal in the north but not so good in Maharashtra and hence this year's output at 231 million tonnes would be around last year's level.

Punjab and Haryana had excess rainfall in the month of July causing unusual floods thus damaging the cotton and rice crops. On the contrary, Gujarat and Andhra Pradesh experienced dry spell.

Area under rice during 1992-93 was 41.64 million hectares. the total production of rice was at 72.61 million tonnes which declined by 2.8 per cent from the previous years due to decline of both area and yield. Kharif 1993 Rice area is expected to be at last year's level but production may be highest at 65.50 million tonnes.The total rice during 1993-94 is expected to be 74 million tonnes.about two per cent gain over 1992-93.

The production target of wheat for 1993-94 has been fixed at 58.50 million tonnes.The good spell of widespread rain in January has likely resulted in higher wheat output even though current estimate of likely production is 56.9 million tonnes.

Production of coarse cereals like jowar, bajra, maize, ragi, sall millets and barley in current year is likely to fall back to its normal growth trend and Kharif 1993 out put of coarse cereals is likely to be 27.40 million tonnes.With normal production of Rabi coarse cereals like jowar, maize and Barley at 6.30 million tonnes for 1993-94.the total production of rabi cereals may be around 33.7 million tonnes against the target of 36million tonnes.

Pulses output during kharif season in 1993-94 may be 6million tonnes. The total production of pulses during 1993-94 may reach 14.5 million tonnes reducing the imports.

Sugarcane acreage in1993-94 is expected to decline further by 3 per cent ,though the production is expected to be around last year's level of 230.8 million tonnes.

The floods in Punjab and Haryana in July and deficient rains in Gujarat during August and September, production of cotton during 1993-94 may be just 10.6 million bales.

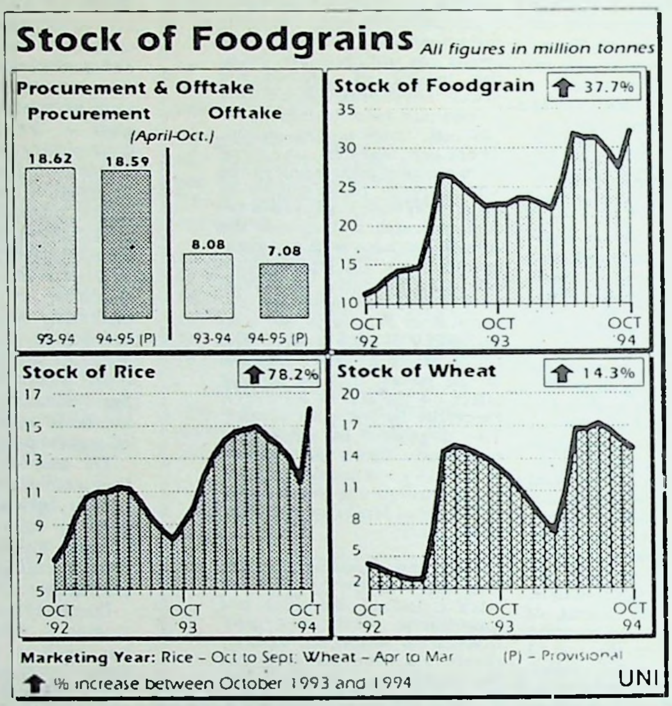
The area under jute in 1993-94 is expected to have declined further as dry weather prevailed at the time of the sowing of the crop in the jute growing eastern region. □

Agri-business getting ready to take firm root in '95

NEW DELHI – The next year may be a challenging one for Indian agriculture. According to Agriculture Ministry sources, 1995 holds promise for the country's agriculture sector. At the same time, the sector would have to undergo challenging phases and periods, they point out, reports PTI.

The big prospect is that the year could mark the break with the age old concept of farming as a sustenance activity with the expected take-off of the agri-business concept being given to farming.

The concept mooted in the 1993 Union Budget sought to promote organising marketable and production of commodity's that can be processed in viable pockets to give a commercial orientation to farming activity. In the old concept, farmers were focusing on growing crops primarily for their domestic use. The marketable surplus was incidental. Processing at the local level was unheard of as it was entirely left to the middlemen and entrepreneurs elsewhere.



The Agri-business Consortium has been registered as a society at the national level and the Agriculture Ministry is awaiting formation of counterpart societies at the state and district level to organise local farmers into agri-business units.

The Union Budget, to be presented to Parliament in February 1995, is expected to contain several incentives for agri-business consortia to take up farming and commodity processing.

During 1994, the Agriculture Ministry had initiated several steps aimed at giving a financially self-sustaining framework for farming. These include: integrating beekeeping in farming to enhance productivity, boost to aquaculture, supplementing farming with activities like mushroom, poultry and meat animals, promotion of commodity board to take up ideal crops for a region on a commercial scale and easier credit availability from commercial and cooperative banks. These activities are expected to get consolidated during 1995.

The sources pointed out that the new year would also mark the reshaping of the Indian farming to face the challenges posed by the country's signing of the GATT agreement. It is certain that, given the right policy initiatives and incentives, the Indian farm exports could get a substantial boost in the post-GATT regime.

Already areas like Pune in Maharashtra (for fruit production), Bangalore (for cut-flowers) and Kerala (for orchids) have become great success stories. Exploiting the potential in other regions will be a major concern in the new year.

Horticulture is another area of major growth expected in the coming years.

INDIAN EXPRESS 23-12-94

ITC, Pepsi inspire models for corporate farming

J Vikram Bakshi

CALCUTTA 12 DECEMBER

THE ASSOCIATED Chambers of Commerce & Industry has mooted the idea of collective corporate farming for oilseeds, on the models implemented by ITC, Pepsi and Kissan, to increase yields and resultant consumption in the country.

Recognising for the first time direct sales linkages with de-oiled cakes, instead of edible oils, Assocham is targetting a market growth figure for de-oiled cakes close to Rs 5,000 crore from the present level of Rs 2,400 crore.

A discussion paper it tabled has proposed "corporatisation of agriculture" based on Malayasia's Felda model for oilseeds cultivation.

The Malaysian model which utilises the economies of scale present in large solvent extraction units is based on a co-operative farming method that makes procurement of oilseeds easier for manufacturing units while the concentration on de-oiled cakes meant for animal feed as the main product, the units can supply edible oils at lower prices.

While the proposal is slated to bring more land into the ambit of oilseeds cultivation, the concentration will be on increasing yield per hectare.

The background paper for the third meeting at Calcutta suggests "the best way of promoting agricultural productivity of small and marginal farmers is to link them up with the corporate sector through 'contract farming'".

Lauding the successful experience of farmers who have linked themselves up with major corporate houses like ITC and Pepsi, the study said that the experience should be replicated in other parts of the country to reduce regional imbalances in oilseeds production.

While Gujarat, Andhra Pradesh, Madhya Pradesh, Maharashtra and Karnataka are recognised as oilseeds producing states, the same emphasis on oilseeds production is absent in states like West Bengal, Bihar, leading to a gap of about 10 lakh tonnes on demand and supply.

The Assocham study paper notes that such corporatisation would not only improve yields by "leaps and bounds" but would also provide a "steady and reliable" market for farmers. "Corporatising Indian agriculture will also solve the problem of availability of raw materials for the agro-based industry.

"Further, development of the agro- industry linkage would give a great fillip to agricultural development", notes the study.

With the yield per hectare of oilseeds in India ranking among the lowest in the world, at an average 800 to 900 kg per hectare as against 1,500 kgs in Europe and 2,500 kgs per hectare in USA, the apex body is looking for more associations between corporates and farmers to step up oilseeds production in India.

The draft Agricultural Policy Resolution of the Government has resulted in an upsurge in exports of agriculture and allied products since 1993-94.

Removal of farmer's subsidies which tend to be higher than the stipulated 10 per cent in Western economies will present the Indian producers with greater export opportunities. In this context, the study observes the agro-industry linkage will facilitate transfer of technology to agriculture while creating the basis for modern management systems in oilseeds cultivation.

Pepsi turns its back on farm sector

Pepsi is diverting its energies towards soft drinks and getting out of agriculture, says Devinder Sharma

Pepsi has finally made the right choice. With all eyes focussed on the great cola war, Pepsi, if news reports are to be believed, is quietly negotiating with the global food processing giant, H J Heinz, for the sale of its tomato paste plant in Punjab. This may well be the beginning of the end for the horticultural revolution that Pepsi had promised all along.

If Heinz is able to acquire Pepsi's paste plant, negotiations for which are in the final stages, Pepsi would feel relieved to take on the challenge posed by the entry of its soft-drink rival, Coca Cola, into the Indian market. Although Pepsi denies it, the sale of the state-of-the-art tomato paste plant would solve yet another problem for the multinational giant, in that Heinz will gradually take care of the contract farmers as well as the tomato crop. After this it may be the turn of the potato chips plant.

And with that would end Pepsi's commitment to usher in a "second" green revolution in India.

It is now abundantly clear that Pepsi's entry into India was primarily aimed at capturing the huge soft-drinks market. Agricultural research and development were apparently used as a ploy to gain entry. Ever since the project was cleared in 1988, Pepsi had felt uncomfortable about ushering in a new phase in Indian agriculture. Three years after the project was set up, even the Government had reluctantly accepted that all was not well with Pepsi and as an immediate step set up a high-level enquiry committee.

Another three years have passed since the committee submitted its report, highly critical of the Pepsi project, sometime in the beginning of 1991. For some strange reasons, Pepsi's top brass had preferred to answer the allegations against it through the media rather than presenting its case before the committee.

Farmer leaders from Punjab, who had initially extended an unequivocal support for the Pepsi project, are today a disgruntled lot. "There is no sign of the 'second' green revolution that Pepsi had promised," says the president of the Bhartiya Kisan Union, Mr Bhupinder Singh Mann. His former colleague, and now president of the breakaway group of Punjab BKU, Mr Ajmer Singh Lakhowal, is more categorical when he says that the company has taken the Punjab farmers for a ride.

But all this was contested by the former managing Director of Pepsi Foods, Ramesh Vangal, who claimed that contrary to the criticism, Pepsi had revolutionised tomato cultivation in Punjab, extending the harvesting season to winter.

What irks the farmers' leaders is that the company has not lived up to its commitment of setting up a research centre in collaboration with the Punjab Agricultural University. While there is no sign of the research centre that was proposed at the time of seeking clearance, Pepsi had also gone back on its promise of bringing in improved varieties of fruits and vegetables into India. And on top of it, what the company was paying to its 400-odd contract farmers for the tomato produce was a pittance.

In any other country, including the US, such anomalies on the part of a private company would have invited punitive action. But in India, the government has deliverately tried to look the other way to prevent sending any wrong signals to foreign investors. In fact, for quite some time a neat cover-up was provided to Pepsi for its glaring lapses in agricultural research and development when the Government repeatedly questioned the company for its food processing and export commitments.

But Pepsi's failure to prop up horticulture in Punjab may be harmful in other ways. Pepsi's failure will hit at the credibility of the corporate sector, which claims to have built considerable technical and managerial skills, and has just begun to extend its activities to agriculture in areas such as horticulture, acquaculture, mushroom production and sericulture, all with high employment potential in the rural areas.

Simply put, if a giant like Pepsi finds agriculture an unattractive proposition who else can be expected to bring a change in the villages?

The corporate sector is in a position to help small farmers with new management techniques, to improve productivity and earn more. This assumes significance at a time when the investments in agriculture sector have gone downhill.

Pepsi's exit from the farm scene and that too at a time when farming is in dire need of investment, both public and private, will certainly discourage other companies to pump money in the rural sector.

Since a meaningful partnership between the farmers and the industrial sector could well serve as the launching pad for the commercialisation of Indian agriculture it becomes essential to ensure that industrial houses do not look for greener pastures elsewhere.

In the case of Pepsi, agricultural activities were sidelined not because they were considered an unattractive proposition, but due to the company's unwillingness to operate in rural areas when the soft-drinks market is a more profitable option.

The company had, therefore, not made any effort to select or identify improved varieties for food processing. Contrary to its claims, no research effort was launched to improve the quality of fruits and vegetables for post-harvesting. Nor were any agronomic trials conducted to make an assessment of yield and production.

Pepsi had instead worked hard on transferring the technology that was already available with the Indian scientists. The technology for nurseries in 'plastic tunnels' and the ridge cultivation of tomatoes was already proven. And so were other technologies like deep placement of seedlings, frost prevention with the help of 'sarkanda' grass.

Pepsi had very cleverly passed on these as 'research' achievements through the ignorant and gullible media personnel. Pepsi's experiment with 'research', therefore, went on to cast a shadow over the future of privatisation of agricultural research in the country.

Private companies will find it much easier (as well as economical) to portray the available research as something conducted by them.

Since the bureaucrats in the agriculture ministry failed to question Pepsi on its 'research' claims they are unlikely to comprehend the ulterior designs of numerous other private companies. And therein lies a grave danger for Indian agriculture.

It is therefore imperative for the Government to ensure that Pepsi is not allowed to abandon agricultural research. After all, it was a commitment made by the multinational giant.

THE PIONEER 22-8-94

A multinational's hoax

"MULTINATIONALS" was still a dirty word when the Pepsi project was cleared by the government in 1988. Bitter controversy had preceded this decision. The goverment of Punjab had produced a voluminous, very high cost propaganda material as a part of its effort to convince the opponents of the project. Special meetings of political leaders were convened for the purpose. Even ex-legislators like this writer were mailed the very attractive printed literature to sell the project.

The main argument in its favour was that it would herald a horticultural revolution in Punjab and would result in the much needed diversification in Punjab agriculture. It was emphasised that Pepsi cold drinks was not the main content of the project. It was further stated that under terms of the agreement, India would earn considerable amount of foreign exchange from export of agro-products as well as cold drinks.

Consensus amongst the farmers and political activists was that the rosy picture which was drawn to sell the project had turned out to be grossly exaggerated if not a mirage altogether. Even the representative of the management conceded that the project had not led to any increase in area under the tomato crop in Hoshiarpur district – a backward area of Punjab, which was supposed to benefit the most. The factory works only for about two months in the year. The maximum strength of the workforce during this period is about 200. Permanent staff is less than dozen – at the most. Generation of 50,000 jobs had been promised.

In the beginning, the factory leased-in-land from land-owners for a period of one year to three years to grow its own tomatoes with its own seeds prepared in the district itself, besides buying tomatoes from farmers. Their own tomatoes were of ordinary size, only slightly better looking. Yield was also a little more. Mr Joginder Singh Randhawa of Kaloa village told us that he had leased 50 acres of the family land for one year to the factory management even though the company wanted a three year lease agreement. Mr Joginder Singh did get more lease money than the prevailing market rate per acre. However, he did not renew the lease after one year because he discovered that the family could earn much more by self cultivation of sunflower and/or sugar cane. Later on, practice of leasing land to grow its own tomatoes for the factory was given up by the company itself.

Mr Joginder Singh was emphatic: "Pepsi has not resulted in any special development for our district. There has been no perceptible increase in land under tomatoes but land growing sunflower has been going up".

The sarpanch of another village said: "All tall promises made have turned out to be false. The real aim of the project is not to help our agriculture but to sell us Pepsi Cola under some Indian name".

Dr G.S. Nijjar, a retired Deputy Director, Horticulture, Punjab, told us the story of his own disillusionment. He said: In horticulture, processing is very important. Selling fresh fruit cannot be profitable for peasants. In Europe, 80 per cent of grapes are processed. In the USA, 75 per cent of citrus is processed .... In Europe and the USA 25 per cent to 30 per cent of land under cultivation grows fruit and vegetables. In Punjab the corresponding figure is only 1.5 per cent. Pepsi held out many promises and I had a good opinion of the project. Factories were promised not only for processing tomatoes but also pears, mangoes and apples. Some experimentation was made with some fruits in the beginning. The same was, however, given up very soon even though the Chairman of the Pepsi Technical Committee had certified that pears situation seemed, good from the view-point of the company. Promised research institutes have not come up and no technological revolution for horticultural crops in Punjab has taken place. Now I think that their real aim was to capture the vast Indian market for their soft drinks. Nor is this all. I was in the USA for sometime during 1991 and it was there that I learnt how the company was "fulfilling" its promise for earning foreign exchange for India by exporting horticultural products and cold drinks".

Like many others, Dr Nijjar was emphatic. "No advantage has accrued to any area in Hoshiarpur district from the project." He criticised the government too for not introducing a proper insurance scheme for tomato growers which he said was very necessary in view of high risk involved in tomato production since one heavy rain is enough to destroy the crop.

The respresentative of the managment who met me was very courteous and polite but was very miserly in giving information and in some respects at least was not at all staight forward and open.

I was told: "The factory is fully automatic. It covers an area of 25 acres. This land has been taken on lease from the panchayat. It is the biggest plant in Asia. Tomato growers have gained. Best tomatoes go to big cities. What cannot be sold there is sold to the factory here. Tomato season is from May 1 to June 30 every year. Quality has improved. Area growing tomatoes has grown considerably."

However, no figures were given. It was conceded that this had not happened in Hoshiarpur district. I was informed that tomatoes were mainly coming from Rampura Phool area of Bathinda district and also from parts of Amritsar, Jalandhar and Gurdaspur district. When I asked him if it was true that only some big landlords of Rampura Phool were supplying tomatoes to the factory, he replied: "It is better to deal with a few people than many". Incidentally, one of these Rampura Phool landlords is a former Akali Minister and a close relation of a former Vice Chancellor of the Punjab Agricultural University at Ludhiana. No legal agreements are made with the farmers. Only there is nursery supply and some guidance or advice. Some rejection of tomatoes brought to the factory is also there. Price is paid to the farmers after a gap of 15 days or so.

Daily average supply of tomatoes to the factory during the season is 600 to 700 tonnes. Tomato sauce produced is 1/8 of the weight of the tomatoes used. A part is exported mainly to Australia. Another part is sold in India itself. When I asked whether there was any plan to go in for chillie sauce also, there was a half-heated "yes", in reply conceding that the machinery had still to be brought.

Soon after I returned to Amritsar from Hoshiarpur, I read an article by M.V. Kamath entitled: "The Pepsi experiment". His conclusion that "this whole thing has been a big exercise in cheating the Government of India, and particularly Punjabi farmers" seems to be not at all uncharitable. I would only like to add "Perhaps the Pepsi and the Government of India with the help of the state government concerned, together cheated the farmers of Punjab." – IPA.

THE TRIBUNE 7-7-94.

PepsiCo plans may pose hazards

India Press Agency

WASHINGTON, November 6: Pepsi-Lehar soft drinks in India may soon be served in plastic bottles, creating serious environmental problems as well as toxicity hazards for workers and consumers, say environmentalists and experts here.

PepsiCo is currently shipping thousands of tonnes of used plastic soda bottles from the United States to India for reprocessing. Most of the used bottles are shipped to the Futura Industries factory near Madras. Nearly a third of the plastic waste shipped to Futura is unfit for recycling. The plastic waste that is recycled is processed into polyester under quite hazardous conditions.

PepsiCo has now received permission to build a virgin plastic bottle manufacturing plant near Madras. Plastic bottles, with their toxic manufacturing byproducts, are to be produced in India. The bottles will be shipped to Europe and US. Some of the plastic waste that returns to India will be dumped or burned as garbage. The remainder will be reprocessed. Environmentalists are concerned with this, since unlike industrialised nations, India does not have strict laws and regulations to protect its environment or workers from pollution caused by virgin plastic production or plastic recycling, as well as other toxic or pollutant materials.

Already the social, environmental and economic impacts that multi-national beverage companies are taking in India are of great concern to many environmentalists and other conscious citizens. The multinationals' recycling scheme; PepsiCo, Coca-Cola, Seven UP and some other plastic producers and users have set up the Plastics Recycling Corporation of California (PRCC) to facilitate the export of plastic waste. Based in Los Angeles, PRCC buys plastic waste from municipal recyclers in the US and sells it at a reduced price to Asian markets.

Financial contributions from PepsiCo and the other firms subsidise the transactions. In 1993, PepsiCo exported more than nine million pounds of plastic waste from California to Madras. The plastic waste that Futura cannot reprocess is disposed of in massive heaps outside the plant. When burned, plastic can release dioxin, one of the most poisonous substances known to science.

RECYCLING DANGERS: Environmentalists here have pinpointed the recylcing dangers. The majority women labourers, who sort and wash the plastic bottles, are paid a very meagre sum, approximately Rs 10 or 30 cents a day. Futura does not provide them protective clothing or masks to protect them from either scalding water or contaminants, or even exposure to the toxic fumes released during the recycling process. Skin and respiratory ailments have been associated with exposure to plastic recycling discharges.

Recycling statistics show that in the past 30 years, the amount of discarded plastic waste in the US alone increased from 400,000 tonnes to more than 16 million tonnes. By the early 1990s, more than seven billion plastic soft drink containers were being produced in the US.

Virgin plastic bottle production contains toxic by-products, including ethylene oxide, benzene, and xylenes. These toxic chemicals can cause cancer, birth defects and damage to the nervous system, blood, kidneys and the immune system.

On the other hand, the major ingredients in glass production are sand, limestone, soda ash and feldspar, all naturally occurring materials. Unlike the chemicals used in plastic production, these materials are solid, inert, non-flammable, and largely non-toxic. The production of a 16-ounce glass bottle results in 100-times less pollution that is produced by one plastic polyethelene terephthalate (PET) container of the same volume.

Environmentalists are demanding that PepsiCo suspend its Indian operations for switching over plastic instead of glass bottles. In the US, a campaign to write protest letters and faxes to Mr Wayne Calloway, CEO, PepsiCo has begun.

Indians have to ask Mr Calloway to respond to charges by environmentalists that PepsiCo is exporting polluting technologies from the US to India. He has to be reminded that plastic bottle production and reprocessing produces dangerous chemicals and places and additional burden on India's already threatened environment; and urge PepsiCo to take a leadership role in returning to the use of safe, non-toxic, refillable glass bottles.

Agricultural exports up to Rs 11,000 crore: Jakhar

Press Trust of India

NEW DELHI 21 DECEMBER

AGRICULTURAL exports have grown to the level of Rs 11,000 crore as against Rs 7,800 crore last year, the agriculture minister, Dr Balram Jakhar, said on Wednesday.

"The country today has the highest ever buffer stock of foodgrains with a phenomenal growth in the production of pulses, oilseeds, fish and milk," the minister said while inaugurating the annual general body meeting of National Agricultural Cooperative Marketing Federation of India (Nafed) here.

He lauded the role played by Nafed in the marketing of agricultural produce, noting that it had achieved a record turnover of Rs 631 crore, with exports of Rs 328 crore during 1993-94.

Nafed had also helped in the development of the member societies in the cooperative sector, he said.

Dr B M Sarin, chairman of Nafed, said that during 1993-94 the organisation had a turnover of Rs 631 crore, showing an increase of 42 per cent over the previous year.

He said a new record profit of Rs 26 crore has been earned, which is 144 per cent more than the previous year. The export turnover of Rs 328 crore has also been a record achievement with an increase of 62 per cent over the past year.

The country was able to earn foreign exchange of Rs 250 crore in the export of onions alone, which is canalised through Nafed.

Nafed has utilised the system of canalisation of onions exports for establishing a separate research and extension organisation, National Horticultural Research and Development Foundation, from out of the revenue generated from onion exports, he said.

Onion exports, which was less than one lakh tonnes in 1978-79 and, has now reached 4.5 lakh tonnes.

Mr Mahendra Singh, managing director of Nafed, said that in 1993-94 under the price support scheme, Nafed provided market stability in the interest of growers. Under this scheme agricultural commodities valued at Rs 35 crore were procured. Under market intervention scheme, items valued at Rs 14 crore were covered.

ECONOMIC TIMES
22-12-94

World Bank funded fishery project in AP

A RS. 5.61-crore World Bank-funded project is underway in Andhra Pradesh for developing aquaculture over 15,300 hectares of water spread. Fiftyone 51 fishermen's cooperative societies will participate, according to the Minister for Fisheries, Mr. Malladi Swamy. The Minister inaugurated on Tuesday the fish hatchery of Sagar Seafoods (Pvt.) Limited. In a technical collaboration with China, the farm is located at Umda Sagar near here. The hatchery has been promoted by a group of NRIs headed by Mr. Saleem Khan with an investment of Rs.2 crores in the first phase.

THE HINDU 23-9-94.

Pitfalls of export-oriented agriculture policy

A crucial component of all stabilisation-cum-structural adjustment packages recommended by the IMF and the World Bank is agricultural exports. The operative word is actually 'exports', but since the third world countries supposedly enjoy a comparative advantage in agriculture, the emphasis, it is argued, must be on exports from this sector.

The Indian government has adopted and put into operation this aspect of the package with considerable zeal. Trade in agricultural commodities has been liberalised significantly and special incentives are being given to farmers for the production of exportable crops. This thrust has begun to pay dividends. In 1993-94, agricultural exports increased by about 40 per cent.

What is not adequately realised is that in the long term the pursuit of such a strategy has adverse implications. While the rate of growth of total agricultural output depends on a host of technological and institutional factors, a cause for worry in an export driven agricultural scenario is that what our farmers grow will be increasingly dictated by demands from the external markets, particularly those emanating from the West.

The export market which lie largely in cash crops, horticultural and dairy products, commands fabulous prices in the western countries. Consequently the margins which the domestic producer is likely to get if he undertakes production of these commodities are very much higher than the margins obtainable foodgrains grown presently for the domestic market.

(99) Quite clearly, such export preferences are set to alter the composition of the country's agricultural output radically. In fact, such a trend is already becoming evident in a number of areas across the country. Sunflower seems to be replacing millet in Telengana, parts of Marathwada and in Gujarat. Horticultural production is beginning to make inroads into areas of foodgrain production in Haryana and Punjab. And such shifts can be expected to become all the more rapid if MNCs in agri-business are allowed to set up shop in the country.

The first, and clearly the most important, casualty of this change in cropping structure will be the long cherished objective of foodgrains self-sufficiency. Exports will also reduce the domestic availability of a number of agricultural products and thereby increase their prices in the domestic market. It may be argued that if total agricultural output increases sufficiently, we can meet domestic requirements even as our exports increase. It may even be argued that the country can import its requirements of foodgrains with its enhanced export earnings. Both these arguments are invalid for reasons cited below.

Agricultural development since independence has been extremely lop-sided. This is an aspect which many have commented on. Productive investment has been concentrated in the northern region, particularly in the states of

Punjab, Haryana and western Uttar Pradesh. This concentration has been so great that the share of the northern region in total agricultural output increased from 24 per cent in 1962-65 to 32 per cent in 1980-83, while the shares of the eastern, southern and western regions declined over the same period.

Quite clearly, a quantum jump in total agricultural output requires a broadening of the agricultural base. But such broadening depends critically on non-price factors like stepping up investment, technological change, conservation of land and water resources, credit reform and decentralisation of management. And the government, and in particular public investment, has to play a dominant role if these non-price factors are to become effective.

However, if recent developments are any indication, the government is simply not prepared to play such a role. Firstly, there is its dogmatic belief in the virtues of the free market. And secondly, there is pressure on the government from multilateral lending institutions to reduce fiscal deficit. Since the government is finding it increasingly difficult to raise more revenues and cut unproductive expenditure, the brunt of the fiscal correction is falling on productive expenditure.

Fixed capital formation in the agricultural sector has been decelerating quite sharply in recent years. Gross investment in agriculture in real terms was Rs 4,636 crore in 1980-81, but came down to Rs 4,580 crore by 1991-92. It is, therefore, not surprising that the period 1990-94, though characterised by above average monsoon, saw agricultural growth average at only 1.1 per cent per annum against a more than 2 per cent increase in population. In such a situation, it is highly improbable that overall agricultural output will see any significant growth in the foreseeable future.

That brings us to the option of importing food? An important point that needs to be noted in this context is that primary goods exportables of third world countries have witnessed a continuously deteriorating terms of trade vis-a-vis manufactured goods importables. This has much to do with the historical origins of international trade and the nature of international commodity markets. Given this, and the fact that the capital and technology starved third world countries' need for manufactured importables is considerable, the scope for food imports is limited.

This has been the experience of a number of countries in Latin America and sub-Saharan Africa, when they attempted to give an export thrust to their agricultural products. Their experience has also been that the requirement of food imports tends to increase rapidly and that the net impact on the balance of payments is very often negative.

The export-led agricultural growth model tried in Latin America has shown that food imports tend to increase rapidly and that the net impact on balance of payments is very often negative

The significance of all this cannot be lost on anybody who is familiar with the food situation in the country. It is, of course, well known that the foodgrain self-sufficiency which we have supposedly achieved is a consequence of the low purchasing power of the people. What is not so well known is that the increase in foodgrain output since independence has done little more than arrest the continuous decline in per capita output that was taking place in the pre-independence period.

The rate of growth of per capita foodgrain output was a mere 0.26 per cent per annum between 1960-61 to 1986-87. And this rate was positive only for the northern region. Per capita output stagnated in the eastern region and declined in the southern and western regions over the same period. Further, there is no evidence to show that non-foodgrain output in the latter three regions compensated for the deficiency in foodgrain output.

Trends in per capita availability of foodgrains are even more revealing. The surplus production of the northern region, far from enhancing availability in the deficit regions as a whole, are channelled almost exclusively into urban enclaves through the public distribution system or into building up of government stocks. Over 60 per cent of the fair price shops are located in urban enclaves. The present move to reduce the food subsidy will only reduce the spread of the PDS, despite all the rhetoric about better targetting.

Nor is there necessarily a correlation between levels of consumption and production of foodgrains. A 1975 UN study has concluded that, in a situation of regional disparities in income and prices, the market works in such a way that surpluses tend to remain in the surplus-producing regions and deficits in other regions left uncovered.

Manifestly, for the vast mass of poor peasants and agricultural labourers, especially in peninsular India, access to foodgrains remains below what it was at the time of independence. This precarious existence can only become more so as agricultural exports pick up, the benefits going largely to the rich peasants and landlords, particularly in the northern region. And their earnings will not, to any great degree, flow back into agricultural investment in the absence of public investment.

In the 1990s, a number of districts across the country have already reported starvation deaths — Wavar in Maharashtra, Sarguja in Madhya Pradesh, Kalahandi in Orissa, Varanasi in Uttar Pradesh, Palamau in Bihar, to name just a few. If the situation is not to worsen, the government has no choice but to reverse many of its present policies. This story on a much larger scale has already been enacted in Latin America and sub-Saharan Africa, which have adopted the IMF-World Bank type adjustment packages. The government would do well to study these experiences.

· THE OBSERVER 15-6-94.

The violence of the blue revolution

VANDANA SHIVA

Over the past decade, international agencies have promoted intensive aquaculture development in many Asian countries. shrimp farming has been an important part of these development projects. The justification has normally been the removal of protein deficiency among rural communities by increasing productivity beyond those obtained in marine eco systems. However, the ecological and economic impacts of the Blue Revolution indicate that such aquaculture projects have actually aggravated the poverty of fishing and farming families. In addition, the aquaculture industry exists at the expense of marine fisheries and does not enhance overall fish production when diverse species, diverse producers. and diverse consumers are fully taken into account.

Intensive shrimp farms with stocking rates of a 100,000 to 300,000 prawns or shrimps per hectare have to be maintained through artificial feeds, intensive energy for pumping water and intensive water use. Maintenance of optimum water quality, salinity, temperature, dissolve oxygen is critical because of intensive stocking and pollution caused by excessive feeds, faeces, and other organic wastes. Regular pumping of sea water of 30 to 35 ppt salinity range has to be mixed with pumped ground water to keep the 15-20 ppt range required for intensive ponds. Estimates show that roughly 6600 m^3 of fresh water are needed to dilute full sea water in a one hectare pond at one metre water depth over a cropping period of four months.

Since the shrimp farms are set up near the coast to pump sea water into the ponds, they have a major ecological impact on the coastal zone ecosystem as well as on coastal communities involved in fishing and in paddy cultivation. The farms are often set up in delta regions which are usually very fertile. The Thanjavur delta is the granary of South India with phenomenal paddy yields. The 'kuruwai' crop brings in 6.5 tonne per ha and the 'samba' crop 4.5 tonne per ha. However, due to the environmental impact of shrimp farming, the granary is becoming a graveyard according to local people. In India, the most rapid expansion of shrimp farming is in the districts of Nellore (named after 'nellu' or rice) and Tanjore, the rice bowl in the Cauvery delta.

Environmental impact

The first impact of shrimp land and forests in the coastal region when the land is bulldozed and excavated for making the gigantic fish farms. I have seen the shelter belts of casurina, prosopis, palmyra being cut to make pumping stations, aquaducts and fish ponds. In Philippines, in Thailand, in Indonesia, mangrove destruction is a major impact of prawn farming.

The destruction of mangroves has further environmental impacts. Since mangroves play crucial ecological role in coastal ecosystems, they export organic matter, providing nutrients to adjacent estuarine and marine ecosystems. Mangroves also contribute to offshore fisheries by acting as nurseries and shelter. Prawn and shrimp catch at sea has been found to be directly proportional to mangrove area.

The destruction of coastal vegetation destroys the buffer zone against destructive wind and water action, increasing cyclone and flood vulnerability. This vulnerability will be further aggravated in light of climate change which will increase the occurrence of cyclones and floods. A decreased coastal zone bugger capacity caused by shrimp farming in the light of farming is on the destruction of increased vulnerability caused by atmospheric pollution creates the potential of new scales of environmental disaster.

The large scale pumping of sea and ground water into the fish farms is the most serious environmental impact of shrimp farming. The massive extraction of fresh water from underground aquifers for salinity control in the ponds poses a serious threat to the salinity control of the coastal ecosystems. Emptied aquifers are subject to salt water intrusion. Seepage from the tanks also increases salinisation of ground water. In the village of Kurru in Nellore district, there was no drinking water available to the 600 fisherfolk due to salinisation of the drinking water. After protests from the local women, drinking water is now supplied in tankers. Ironically the aquaculture company responsible for the drinking water destruction of that region is called 'Carewell'.

The richest ground water source in the entire country, the coastal region, has therefore been struck by water famine. each shrimp exported from the country thus amounts to an export of large scale aquifers if the costs of ground water destruction are internalised in shrimp production.

As ground water salinity increases, paddy fields are destroyed. A survey conducted by the Chittagong University Economics Department showed that the Satkhira region in Bangladesh where intensive shrimp cultivation has been introduced, could only produce 36 ton of rice in 1986, compared to 40,000 metric ton of rice in 1976. In Ban Darsa Sangnam in Songkla in Thailand, a farmer Im Cheocah could only harvest 150 sacks instead of the usual 300 sacks within a year of impact of shrimp farming in the region.

Shrimp farms flush their effluents and wastes directly into the sea and neighbouring mangrove and agricultural lands. The waste water from the ponds carries pollution in the form of excess lime, organic wastes, pesticides, chemicals and disease microorganisms. The release of such byproducts affects estuarine and marine organisms.

The waste stifles the growth of aquatic organisms and causes water quality to deteriorate. Intensive coastal fish farming has also been linked to 'red tides', an explosive growth of toxic algae that can kill fish and fatally poison people who eat con taminated sea food.

Another reason for depletion of marine shrimp is the capture of juvenile shrimp from the mangroves for hatcheries.

Prawns occupy about ten different habitats in their life. They breed at sea, but grow and shelter in mangrove areas during jevenile stage. When mature, they move from the low-medium salinity zones to the estuary and reefs to spawn.

Prawns and shrimps do not breed in captivity. The stocking of the shrimp farms is therefore done by capturing larvae and juveniles caught on the coast and in the mangroves, and by capturing egg-bearing females at sea each of which can stock 1 to 2 ponds and therefore fetch high prices. Both these sources increase shrimp availability for intensive fish farms by depleting wild stocks at sea. Captive spawning of shrimp is done in hatcheries by callously cutting the eyes of females, to increase sexual activity. (Nora Ibrahim, 1991)

The capture of juveniles in the mangroves and back waters prevents the renewal of the wild shrimp at sea. The aquaculture industry thus exists at the expense of existing marine fisheries which have supported traditional fishing communities over centuries.

Intensive shrimp farming is based on dense stocking rate and overcrowding, which induces stress problems and increases susceptibility to diseases. Overcrowding leads to poor water quality due to decreased oxygen level, high accumulated metabolic products and excreta, rapid growth and transmission of noxious parasites, microorganisms and pathogens.

Fish farmers normally expect losses from disease of 25 to 30 per cent.

In 1987 Taiwan became the largest prawn producer in the world. A year later disease struck and production dropped by 70 per cent. Shrimp exports declined from 50,000 million ton in 1987 to 8,000 million ton in 1988. In addition the excessive ground water pumping led to land subsidence which caused two storeyed houses to become one storeyed houses. The Taiwan's Government had to ban setting up of the new shrimp farms for this reason. (Primavera 1991). Agencies and corporations which cite Taiwan as a miracle to be followed in the area of Shrimp exports should also learn from the ecological collapse of shrimp fisheries exports. (Rangaswamy, 1994). Similar non-sustainability due to infectious diseases and deterioration of the environment caused by self pollution from intensive aquaculture is affecting the Philippine and Thailand prawn industry.

Intensive shrimp farming is thus a non-sustainable form of shifting cultivation, with companies moving from one country to another in a matter of a few years as production becomes non-sustainable in each location. As a result of their shifting cultivation they create Blue Revolution refugees in each country where intensive aquaculture takes away land, water and fisheries resources from local communities.

The Social Impact

Since coastal ecosystems where shrimp farming is being introduced are regions which support the lives and livelihoods to millions of fisherfolk and farmers, the environmental destruction caused by shrimp farming immediately transforms into social impact.

The enclosure of the beaches for pumps and powerhouses has pushed fishing communities off their ancestral homes. Fishing communities call themselves 'pattapu raja', the kings of the coastline. Today they are refugees of aquaculture development, with no place to spread and mend their nets or park their catamarans (the traditional fishing vessel used by small scale fishermen) and no access to the sea from their villages.

The depletion of marine fish due to environmental impact of fish farming has destroyed their resource base. Kantamma of Ramachandrapuram where Rank Aqua and Siraga shrimp farms have just started to operate says that the shrimp catch of the fisherman which used to be Rs 50,000 per catamran per month is now down to Rs. 5,000 within one year of impact.

Not only are fishermen displaced, local communities no longer can consume fish. Since intensive farms are export oriented, they do not supply local markets. The cost of fish locally has risen worldwide as a result of commercial fisheries. For example, in Kerala, India's number one fishing State, prices for shrimp jumped from US $50 a ton to $1,300 a ton between 1961 and 1981. Because of the price rise per person consumption of shrimp fell from 19 Kg per person to 9 Kg. (Peter Weber) While aid programmes put money into aquaculture development to boost world food production to help feed the hungry, the shrimp farming experience in India shows that they take away from the poor the little they have.

The destruction of clean ground water immediately translates into increased work burden for women. At a public meeting in village Kurru, organised on the impact of aquaculture, water scarcity in the water abundant coastal belt was identified as the main problem. After protests the companies owning shrimp farms were forced to spend Rs. 5 lakh a month to transport potable water to the village. The water is supplied by tankers, with each household getting only 2 pots to drink, wash, clean with. "Our men need 10 buckets of water to bathe after their fishing trips. What can we do with 2 pots". Women say they are working 4-6 hours extra to collect fuel and water as a result of the environmental destruction caused by shrimp farms.

As the shrimp farms render the fertile coastal region a salinated waste land, there is destruction of agricultural livelihoods and food production. Very soon there will be famine in the rice bowls of Andhra and Tamil Nadu.

The fishing communities of Ramachandrapuram used to grow enough "ragi" for themselves. The "doruvu", the small ponds for irrigating ragi are all saline and there is no ragi production any more. There is no food from the sea, nor from land. There are no livelihoods on sea, nor on land. Rice cultivation on 40 hectares of land need 50 labourers but shrimp raising in the same area needs only five workers. Each job in aquaculture needs an investment of Rs. 2 lakh. As Govindamma of Kurru said, "We were displaced from the sea, we went to agriculture for jobs. Now they are building prawn farms on agricultural lands. Salt farms are also being converted into aqua. There too we will loose labour. Where will we earn our living?"

As people's resources and livelihoods are destroyed aquaculture development becomes a new source of social conflict. In Andhra Pradesh, the villagers of Kurru attacked the aquaculture farms uprooting pumps used for drawing sea water. They also breached the bunds of the ponds. In Tamil Nadu, the Gram Swaraj Movement has taken up the issue of shrimp farms. 'Don't bring saline water into our lands' and 'don't take away our livelihood' are the slogans of the landless peasants in the movement. Women have been blocking the work of the bulldozers brought in to make the shrimp farms.

When these social and ecological costs are internalised, intensive prawn farming emerges as a highly wasteful and inefficient technology for ecological and equitable utilisation of land, water and fish resources.

Intrinsic to the revolution are value judgements that devalue nature's productivity in the sea and the productivity of fishing communities dependent on the gift of the sea. They tacitly set up an heirarchial ordering that puts the luxury consumption of shrimp by rich northern consumers and the profits of corporations, above the need for drinking water, food, and livelihoods of local fishing and farming communities. Shrimp farms embody an assumption of the dispensability of coastal ecosystems and the fishermen and farmers they support.

RAJASTHAN PATRIKA 26-11-94.

NCW rules against prawn farming in Tamil Nadu

MADRAS – The legal bench at the National Commission for Women's public hearing on the condition of women working in the unorganised sector, has ruled in favour of an immediate ban on prawn farming in the state.

Handing down a couple of independent quasi-judicial rulings at the public enquiry of the National Commission for Women (NCW) in the City on Tuesday, Justice V.R. Krishna Iyer and Justice Krishnaswami Reddiar separately observed that the deleterious effect of this activity, as reported by the agricultural workers and fisherwomen from the coastal districts of the state, was grave enough to warrant such a ban.

Justice Reddiar also called for the urgent adoption of a statute abolishing the contract labour system. This was because, despite the existence of a host of laws on minimum wages, the government was unable to guarantee a just implementation of these laws by the contractors. He also ruled that as an immediate measure the government must, at the very least, ensure continuity and regularity of work for the contract labour.

And reacting to numerous complaints of exploitation of women workers' ignorance of the laws by unscrupulous contractors, he said it was the duty of the Labour department to make sure that the workers were kept fully informed and aware of their rights before entering into an agreement with the contractors.

Giving his ruling on the grievances aired by the domestic workers, he noted that the difficulty in dealing with the extremely unsatisfactory and pathetic working conditions experienced by these women was that they were the most widely dispersed group; and entirely employed by private individuals. He suggested the unionisation of these workers in order to enable the negotiation of their minimum wages and other rights.

Commending the state government's pilot scheme to provide one van to every fisherwomen's association, he said the need to give these women access to the market through alternatives to the public transport system was paramount. The problem of pollution of the seas by industrial wastes needed to be tackled on a war footing, he added.

Justice Krishna Iyer ruled that in the case of beedi workers the elimination of child labour input would help in reassessing and revaluing the contribution of adult labour (mainly women) in the industry. This revaluation effort needed to be accompanied by proper maintenance of records, with identity cards given to all women workers.

And at the policy level, he commended the Kerala model of establishing co-operatives for emulation. He added that the NCW could also explore, specifically in the case of beedi workers, remedies such as public interest litigation.

The judge recommended that in the case of agricultural workers, the government should confer pattas for land directly on the women.

Prawn farming boom may end in bloody conflict

From P. K. Balachanddran

MAYILADUTHURAI, July 11

An ambitious plan to turn the coastal areas of Tamil Nadu's Quid-e-Millat district into a major centre for prawn farming in the country has suffered a major setback, with agitating landless agricultural labourers bringing to a grinding halt work in all but two of the 150 prawn farms there.

The agitators, mainly Dalits led by an 82-year-old Gandhian, are also threatening to grab in about 20 days' time, nearly 5,000 acres of land already acquired by the prawn companies and start cultivating them. Both the agitators and the companies seem to be bracing themselves for a bloody confrontation.

Mr S. Jagannathan, the octogenarian chairman of the Tamil Nadu Grama Swaraj Movement (TNGSM), which is spearheading the agitation, warned of the possibility of another "Keelavenmani", when 44 labourers in Keelavenmani were burnt alive.

On his part, Mr V. J. Chandaran, vice president of Prawnex and a leader of the Aquaculturists' Association of Mayiladuthurai and Nagapattinam, said: "The agitators are planning bloodshed and our villagers who stand to gain by the growth of prawn farming here, will fight back." The prawn companies stoutly rebut the claim of the agitators that they are peaceful satyagrahis.

"In the Magna farm fracas, they beat up two innocent contractors black and blue. The women threw chilli powder on company staff", said Mr Chandaran.

POLICE DILEMMA: The police are in a tight spot. If the agitators complained that the police had been brutal, acting purely at the behest of the prawn companies and their supposed patrons in the State Chief Minister's household, the prawn companies felt that the police had all but dropped them like a hot potato. The police, the companies felt, seemed to want to avoid trouble in the area at any cost, since they feared that the clash could turn into a Dalit-Vanniyar caste war. The Vanniyars had sold land to the prawn entrepreneurs, leaving their Dalit farm labourers high and dry.

The gram swaraj and Land for Tillers (Lafti) movements have been opposing the setting up of the prawn farms on both economic and environmental grounds. They feel that the conversion of farm land into prawn breeding grounds would deny the landless labourers, especially the women, their traditional means of livelihood. Landless farm labour comprise nearly 60 per cent of the population of the worst affected Sirkali taluk.

Mr Jagannathan charges that the prawn companies had violated the law by taking over cultivable land which had yielded two crops of paddy and one crop of cotton, groundnut or pulses. "At least 30 per cent of the lands taken over were cultivated the previous year," said Veeraswamy, secretary of TNGSM.

According to Mr Jagannathan, the prawn companies had enticed landowners by offering very high rates. And whenever they found it convenient to corner some *poromboke* village (common or government land), they grabbed with impunity. Attempts by the Government to stop this had been stonewalled by court injunctions, the agitators said.

LAND POLLUTION: The environmental angle to the campaign is the alleged seepage of salt water, which has polluted the land and the subsoil water. Bad water is believed to be the cause of jaundice and skin diseases now supposedly spreading in the area. The charge is that this seepage is being allowed only to turn cultivable land into wasteland so that this can be bought off cheaply.

But all this is rebutted by the prawn companies, whose argument is that the land acquired had for long been salty and therefore uncultivable.

Jobless workers had begun seeking work in far away places like Kerala years ago. It was with the intention of giving the unemployed here an alternative source of livelihood nearer home that the Congress MP for Mayiladuthurai Mani Shankar Aiyar had moved heaven and earth to get prawn farmers from all over India to invest here. He had also promised to stop salt water seepage by introducing French technology.

According to Mr Chandaran, per acre, prawn farms employ more people than agriculture. "In agriculture in a 90 day crop, there is work only for 10 days. But we have year round work at double the rates. And when processing and packaging also come here, there would be work for many more, especially women."

The prawn companies say that the agitators gave themselves away by offering to buy and run the prawn farms themselves. Clearly, the issue is ownership rather than environment, or employment, the companies feel.

HINDUSTAN TIMES 12-7-94.

IBRD warns against worsening terms of trade for exporters

SUKUMAR SAH
NEW DELHI, DEC 8

The terms of trade for Indian exporters have worsened. Given the current rate of inflation, export incentives and a stable exchange rate, export profitability has come under tremendous strain.

This note of caution has been struck by the World Bank saying that with the stability in the nominal exchange rate at about 31.4 to a dollar since March 1993, and inflation hovering around nine per cent, there has been a gradual increase in recent months in the real effective exchange rate.

With exports high on the Government's economic agenda, the real effective exchange rate will need monitoring by the Reserve Bank, it points out.

In its analysis of export incentives in India and the impact of recent policy changes, the Bank says that although there has been a significant narrowing of the differential between export and domestic profitabilities that existed in the pre-reform period, there is danger that the domestic market may become relatively more attractive than the export market.

If exporters start looking at the domestic market, the Government's aim of hitting an export growth target of 25 per cent in 1994-95 may go unrealised. In fact, the Government is already talking in terms of reaching a level of 17 per cent to 18 per cent in dollar terms.

With inflation still at nine per cent, "the Government will have have to compensate the exporters through incentives for at least two to three years and remove irritants in the way of exports like delays at customs, airports, rationalise labour laws and ensure that export deliveries are not marred by strikes by port workers, truckers and airlines staff", says K N Memani, of S R Batliboi & Company and immediate past-president of the Federation of Indian Export Organisations (FIEO).

The Federation of Indian Chambers of Commerce & Industry (FICCI) has called for a policy with an in-built mechanism that reins in the inflation rate to at least on a par with competing nations and incentives to compensate exporters for the difference between the domestic and international prices of inputs going into export production.

Given the high import intensity of exports, a lowering of the tariff barriers is an alternative. But this, obviously, cannot be done overnight on considerations of revenue.

FICCI suggests that a certain incentive level will have to be granted in the form of cash compensatory support of the International Price Reimbursement Scheme (IPRS) till such time as the rupee starts depreciating in tune with the market forces.

Domestic profitability has indeed improve considerably with a revival of growth and demand at home, confirms Memani. The export growth in the first seven months of the current year has basically from from areas of high profitability and not from manufactured products.

The World Bank states that while some exporters claim that exports were more profitable for them in the pre-reform regime owing to product-specific incentives its analysis shows that export profitability deteriorated for most export sectors in the dual exchange rate regime introduced in March 1992. This adverse movement has, however, reversed in most of the export sectors with the advent of the unified exchange rate regime in March 1993.

This, it says, is true of all sectors. Even with severe assumptions on inflation rates, import intensities and dollar price increases, export profitability declines only in the case of engineering goods, textiles and carpets.

If the severity off assumptions is relaxed slightly, then even for these items the export profitability change would be positive.

FINANCIAL EXPRESS 19-12-94

Govt rejects striking fishermen's demand

By Business Times Bureau

NEW DELHI, November 24: The government today rejected the striking fishermen's demand to cancel licences for joint venture fishing vessels in deep seas and described the strike as "uncalled for".

A spokesman of the Union ministry for food processing said there was no basis in the strikers' argument that these vessels were threatening the livelihood of small fishermen.

The catch of these vessels and chartered trawlers accounted for less than one per cent of the total catch off the Indian coast, he argued.

Pointing out that only 2.6 million tonnes of the 3.9 million-tonne potential was being exploited annually from the country's exclusive economic zone (EEZ), the spokesman said the resources could not be left untapped, especially in view of the export potential. A small country like Taiwan has 200 vessels and in China, one company alone has 120 vessels. The EEZ extends up to 200 miles in the sea, he added.

CAUTIOUS: "But we are going very slowly. Being absolutely cautious, we decided not to allow more than 200 joint venture vessels till the end of the eighth Plan though experts had said up to 500 vessels should be allowed," the spokesman said.

At present only 19 joint venture vessels are operating and the number is not expected to cross 50 by the end of the Eighth Plan, though 147 licences have been granted, he added. Besides this, 11 chartered vessels are also operating, but these would be phased out in the next two years.

The spokesman dismissed as "erroneous" the fishermen's apprehension that the government plans to introduce 2,600 vessels. The apprehension has arisen because this number was mentioned in a report prepared before the current plan. "We never accepted the report," he asserted.

In fact, having accepted an expert committee's recommendations in the interest of small fishermen, the government has decided to set up a "three-mile corridor" beyond the territorial waters so that joint venture vessels operate only beyond 15 nautical miles, he said.

On the fishermen's grouse that joint venture vessels poach in the territorial waters (up to 12 nautical miles) where they are not allowed, the spokesman said the government had been asking fishermen for specific complaints, but no such complaint had been recieved so far.

"The government is committed to protecting the interests of traditional fishermen and has directed the Coast Guard repeatedly to ensure that deep-sea fishing vessels do not encroach upon the area reserved for coastal fishermen," he said.

Licences have been granted for joint ventures so that Indian companies could acquire the latest technology, the spokesman said, pointing out that they were all operating under the Indian flag and most of them were technological collaborations.

IMPRACTICAL: The fishermen's demand that a zone extending up to 100 km from the coast should be reserved for them was impractical, as they did not have the technological sophistication for fishing in such deep waters, he said, and added that even now there was no ban on fishermen fishing beyond the territorial waters.

TOI 25-11-94.

Dairy decanalisation on cards

NEW DELHI, Aug 31 (UNI) — Decanalisation of dairy exports is on the cards.

It is understood that the high-powered committee of secretaries, which recently considered the question of decanalisation of dairy exports, gave its verdict in favour of decanalisation.

The committee of secretaries is understood to have favoured decanalisation subject to allocation of quotas and compliance with any European Community conditionalities with respect to donated commodities.

However, the committee of secretaries (COS) is not the final authority and its recommendations have to be approved by the Union Cabinet to be adopted as a policy.

As of now all dairy exports are subjected to the strict canalisation regime of the National Dairy Development Board (NDDB), but decanalisation has been in the offing ever since delicensing of the dairy industry in 1991 by the Narasimha Rao Government.

The high-powered COS is understood to consist of the secretaries of Civil Supplies, Food, Commerce, Agriculture and Industry Ministries and headed by secretary (coordination) in the Cabinet Secretariat.

According to experts, while decanalisation would be welcomed by a number of producers, there was a lurking fear that in the long-term it might open a pandora's box, undermining what would otherwise be a bright export future for dairy commodities.

Cooperative sources said under canalisation, the NDDB had ensured that Indian exports (three million dollars worth of skimmed milk powder (SMP) last year and a projected $ 10 million this year have met the strictest international quality standards.

The sources said with decanalisation the door would be thrown open to any exporter to ship his product abroad. Quality would, thus, take a back seat to pricing, giving rise once again to criticism about Indian products failing to meet international standards.

The cooperative sources said if canalisation was to be done away with it should be followed by a strict export quality control system managed by the NDDB.

"If the government simply opens the door, the long-term benefit of exports would be short-circuited by short-sighted manufacturers whose goal simply is to make a quick buck" they said.

When approached for comment, the NDDB said there was evidence that often milk powder produced in India was manufactured under highly unsanitary conditions.

Canalisation was essential to ensure that every gram of milk powder and other dairy commodities exported met the highest international standards, it said.

The NDDB also pointed out that as much as 30 per cent of the milk powder that might otherwise have been exported during the last two years was, in fact, unfit for export.

"We all know of the cases where Indian exporters in their quest for a fast buck have damaged the country's long-term potential through export of low quality products. We do not wish this to happen with dairy commodities", the NDDB said.

It was also claimed that at least in one respect the on-going General Agreement on Tariffs and Trade (GATT) negotiations were likely to prove beneficial.

The advanced agricultural nations were expected to dismantle their extensive subsidy systems which at present underwrote both farmer production and exports.

According to OECD figures, milk has been a highly subsidised commodity with the 1992 producer subsidy equivalent (PSE) ranging from 36 per cent in Australia, to 58 per cent in the united states and 61 per cent in the European Community countries.

With the dismantling of this subsidy system, combined with the growing production of India's dairy industry, it was likely that the country would enjoy both a comparative advantage and a growing share of SMP exports in the region.

NATIONAL HERALD 1-9-93.

Proposal to import high-priced cotton to stir hornet's nest

Suresh Shah

BOMBAY 18 DECEMBER

EVEN before the dust raised by the sugar scandal could settle, the Union textile ministry's proposal to subsidise cotton growers overseas at the cost of Indian cotton farmers is all set to raise another storm.

The textile ministry's move seems to be directed towards preventing cotton growers from realising prices at par with those prevailing in the international market.

And now it proposes to ask the Cotton Corporation of India to import 5 lakh bales of cotton valued at over Rs 600 crore.

The proposal was mooted by the Indian Cotton Mills Federation when the leading mill owners held meeting with the textile minister, Mr G Venkat Swamy, in New Delhi on December 15, 1994.

It had also pleaded for bringing down the cost of polyester and viscose fibres to make them more competitive to cotton.

Cotton is the only one major agricultural commodity over which the Union agriculture ministry has no control.

The item is being controlled by the Union textiles ministry, which in the process of looking after the interest of the industry imposes all sorts of credit and stock restrictions to compel the farmers to part with their produce at lower prices.

"Such stringent stock and credit controls during the beginning of the season are unheard of in the cotton history when farmers are yet to market 75 to 80 per cent of their produce," says a leading dealer. Further, the Union government has taken a policy decision to allow a minimum export of 5 lakh bales of cotton with a view to ensure regular supply to overseas buyers.

However, the ministry has so far issued export quotas for one lakh bales only, while keeping the doors open for the floodgate of imports.

Mercifully, the ministry has not imposed any stock restrictions on cotton growers. Probably it did not dared to do so in view of Assembly elections.

Again, the ministry has not yet thought it fit to re-constitute the Cotton Advisory Board (CAB) which is only forum where farmers' representatives could ventilate their grievances.

The CAB last met in August 1994. Past experience show that even in that meeting, representatives of the industry carries more weight, though representatives of cotton growers, trade and co-operative marketing federations had the platform to express their views.

Cotton imports are neither canalised nor it figures in the list of restricted or banned items. The government has not only allowed its imports under OGL it has also waived a hefty import duty of 44 per cent with a view to ensure textile mills their basic raw material at international prices.

Some of the mills have already opted for import and they are understood to have contracted for the import of nearly 3 lakh bales of cotton and others are in the process of doing so.

Some of the mills were waiting for the domestic cotton prices to come down.

No doubt, the mills would have rushed for import of cotton, if it was available cheaper abroad, but since most of the varieties of indigenous cotton are still 7 to 10 per cent cheaper, they prefer to buy locally.

This raises a moot question as to why the textile ministry should now agree to the industry's proposal for asking CCI to import 5 lakh bales of high price cotton, when leading mills do not consider the supply position that panicky necessitating any such indiscriminate imports.

What is interesting to note is that like before the sugar imports were placed under OGL, the price in the London sugar market had jumped, and similarly, even before Mr Venkat Swamy agreed to favourably consider the Indian Cotton Mills Federation's proposal to ask CCI to import 5 lakh bales, the New York cotton futures zoomed to a new high of the season despite the fact that the US is expected to harvest a record cotton production of 19.5 million bales.

Now even if CCI imports this high-priced cotton at the instance of textile ministry, the question is who will lift it when local cotton is available cheaper.

Again, if the Corporation has to dispose of this cotton at lower prices, who will subsidise it.

The government had allowed cotton imports under OGL since March 1994 and it had also permitted imports of viscose fibre at concessional customs duty in view of the sharp spurt in indigenous cotton prices last season.

However, if last season's poor response to these imports is any guide, there will be hardly any takers for cotton to be imported by CCI.

The reasons are not far to seek. Price consideration will be one the major constraint in selling high-priced imported cotton, particularly when the price difference may widen further with the additional supply of 5 lakh bales of imported cotton.

Again, when imports are under OGL, the ministry will not be in a position to force the mills to lift whatever cotton CCI imports and that too at a price higher than those prevailing for equivalent indigenous cotton.

Cotton prices are ruling high no doubt, but they are still lower than those prevailing for similar varieties in international markets. Again, supply position is not that precarious to warrant any indiscriminate imports.

Indigenous cotton production is estimated at 127 to 129 lakh bales and with carry forward stock of 31.78 lakh bales and expected imports of at least 5 lakh bales by the mills directly, the total supply is likely to be 163.78 to 165.78 lakh bales.

Against this, mill consumption is estimated at 117 lakh bales, that by small scale mills 5 lakh bales and non-mill requirement 8 lakh bales, totalling 130 lakh bales.

Thus, even after allowing the agreed exports of 5 lakh bales of cotton, it would leave a carry forward stock of 28.75 to 30.78 lakh bales at the end of the season.!

ECONOMIC TIMES 19-12-94.

Pass the sugar, please

AT A superficial level, the present sugar policy muddle is a reflection of the Government's increasing ineptitude on the 'economic management' front. The confusion in sugar supply management also appears, again superficially, the result of inadequate communication between politicians and bureaucrats on the one hand, and the bureaucracy in different departments on the other. On a more careful analysis, the muddle would appear to reveal the hollowness of the entire economic reform policy.

Let us take a brief look at the figures of production and import of sugar over the past decade or so. While doing so, let us also remember that the "sugar year" runs from November to October. (See chart)

India exports small quantities of sugar once in a while. In 1991-'92 and 1992-'93, the combined exports of sugar and molasses were 4.46 lakh tonnes (valued at Rs 157 crore) and 2.11 lakh tonnes (valued at Rs 107 crore) respectively. (Unfortunately, readily available data treat sugar and molasses as one 'item' of export. The value of molasses export would be in any case quite low, though the overall quantity figures may get distorted by it.)

Reportedly (there is no authentic basis for this statement) sugar import during 1994 may involve a 'subsidy' of something like Rs 500-600 crore, no matter how the Government purports to provide this subsidy—from within or outside the outlay already earmarked for the Food Ministry. The only other information of importance in the present context is the increase in the open market wholesale price of sugar from Rs 11.26 per kg in May 1993 to Rs 17 per kg in May 1994.

How do these data indicate that our sugar policy is muddled and, secondly, how that is a function of the "hollowness" of the present policy of economic reform? To understand this, one has to go into the nitty-gritty of sugar pricing and the policy-making.

Sugar prices, obviously, depend very largely on the price of sugar-cane. The problem is, in India, there are a minimum of 22 prices of sugar-cane—one for each State! What's more, these prices being widely divergent. Consequently, what the Government pays to sugar factories for the "levy" sugar used for public distribution—linked as it is to the sugar-cane price—varies from State to State.

Not only that: the Government has a number of other formulae for "pricing" as well as excise duty rates and reliefs. For example, new factories are variously exempt and pay a lower excise duty on sugar. Duty concessions are announced from time to time on sugar produced from sugar-cane crushed after a specified cut-off date (usually March). And there is a whole series of duty concessions for (sick) mills which need to be revived, small mills which have "approved" plans of expansion, etc.

Way back in 1983, the Bureau of Industrial Costs and Prices had found that with the system then existing, there was a different "levy" sugar price for almost every single factory! Again, releases of sugar are controlled, not only under PDS, but also in the "free sale" category. There are, in effect, no free sales of sugar. From cane production to sugar distribution, there is no free market for sugar.

There are numerous political problems involved here. sugar-cane is a highly valuable cash crop and the farm lobby producing sugar-cane is quite strong. Equally powerful is the sugar lobby. Indeed, in Maharashtra, successive government decisions have reflected the influence of the sugar lobby. Of late, this has become the story even in Gujarat where an increasing acreage of farm land is coming under sugar-cane cultivation. The other important point to remember about sugar-cane is the enormous quantity of irrigation water required for this crop—more than ten times the quantum of water required for, say, irrigated wheat. In interior Maharashtra one sees the poorest farmers, who have no access to irrigation facilities, straddle the countryside next door to the (irrigated) sugar-cane farms. Their owners—the sugar barons (formally, sugar co-operatives)—have amassed enormous wealth through sugar production, and of late, potable alcohol made from the residue molasses. Irrigation in Maharashtra is used almost entirely for growing sugar-cane. This is the likely scenario in southern Gujarat, after the Sardar Sarovar dam is completed. Already, many sugar factories are coming up in south Gujarat, which is switching from oilseeds production to cane growing.

Since we have long had a policy of a uniform all-India procurement price for wheat, rice and other major crops, BICP had recommended in 1983 that over a period of years, sugar-cane prices—linked to the sugar content of cane—be reduced gradually from 22 State-level prices to eight zonal prices, and then to four, to two and later, to a single all-India price. That price should be determined by the Commission on Agricultural Costs and Prices.

BICP had also recommended that: (a) there should be no exemptions in duty—other than to "sick mills"; (b) there should be no restrictions on the setting up of new units/expansion of existing ones, except that there should be a minimum distance between sugar mills to ensure that all mills have access to sugar-cane, and operate up to capacity; (c) there should gradually be no "levy" sugar, the sugar industry being decontrolled; and (d) the Government should maintain a buffer stock of sugar to eliminate wild fluctuations in open market sugar prices, particularly because the monsoon can have a large distorting effect on year-to-year yield rates of sugar-cane. The total supply of sugar would thereby be governed by the remunerativeness of cane growing vis-a-vis other crops (as determined by CACP); and the buffer stock policy would eliminate undue fluctuations in sugar prices.

The rationale of these recommendations was simple. The public distribution system supplies sugar only to urban households. The villagers—more than 70% of the population even today—consume only *gur* and *gur* prices today are (and then were) actually higher than the price of sugar sold to urban consumer under PDS.

The increase in the open market wholesale price of sugar (from Rs 11.26 per kg in May '93 to Rs 17 per kg in May '94) is a speculative increase helped by the Government's incapacity to take a timely decision regarding imports. Sugar output went down from 134 lakh tonnes in 1991-'92 to 106 lakh tonnes in 1992-'93. And it's now expected to go down to 96 lakh tonnes in 1993-'94. This steep decline is, equally, the result of changes in policy concerning duty concessions and duty exemptions which the sugar industry has been used to.

But basically, the Government has done nothing to reform and restructure the sugar industry. The reason is simple Where there is sugar, there will always be flies. Economic reform is not synchronous with the structural adjustment policy currently in force. ■

INDIAN EXPRESS 12-6-94.

Farmers fear auction of their gold

by R. Pridhvi Raj

VIJAYAWADA – For about 30,000 cotton growers in Guntur and Praksam districts who had taken loans from banks and could not repay, the day of reckoning seems to have arrived.

These farmers are panicky now as the banks have begun issuing notification in newspapers that gold jewellery pledged by them to secure loans would be auctioned off. The matter has become sensitive as most of the gold pledged with the banks consists of *mangalasutrams*.

No auctions have as yet taken place but resistance to them is building up in the villages. Irate farmers at Pasumarru,near Chilakaluripet in Guntur district mobbed the Indian Bank branch recently and forced the staff to defer the auction for two months when they were about to go ahead with the sale.

In Guntur district one lakh farmers had taken crop loans amounting to Rs 60 crore while in neighbouring Praksam district, 50,000 farmers availed Rs.30 crore. More than half of this was obtained by pledging gold. Cotton is grown in four lakh acre in Guntur district and two lakh acres in Prakasam district.

ALWAYS DEFAULTING: Bank officials allege that the farmers rarely honour their commitment to repay the crop loans soon after the harvest. But Telugu Desam MP Yelamanchili Sivaji says the banks swooped on the farmers because their coffers were depleted by their involvement in the stock scam.

On the other hand the farmers say they find difficult to repay loans because their crops are lost year after year.

The farmers' leaders allege that those who were ready to repay the loans and redeem their gold could not do it because banks were insisting on clearing their other crop loans obtained by mortgaging land though there is a court ruling that the two should not be clubbed. They also allege that banks are insisting on clearing loans for which they stood surety before their gold is released.

HIT FROM ALL SIDES: The farmers have had to contend this year with falling cotton price which went down to Rs 1,000 a quintal from last year's Rs 1,500. The farmers had to put up with a decline of 50 per cent in production and an increase of 50 per cent in the cost of inputs. Dr Sivaji suggests that the government should waive the portion of the interest that exceeds the principal amount.

The Andhra Pradesh Congress Kisan Cell convener Somepalli Sambaiah says the government should waive the entire interest. "It is better than harassing the farmers for repayment of loans with interest which they anyway cannot," he says.

Sambaiah says the farmers who had taken loans in 1976 were the hardest hit as there was a cyclone next year. Since then every year there has been one disaster or the other. Threats of auctioning the gold will lead to socio-economic tensions, he warns.

INDIAN EXPRESS 16-3-93

Cattle feed units hit in molasses decontrol move

Asha Rai

BANGALORE 28 MAY

THE UNCERTAINTY regarding the proposed decontrol of molasses has caught the Rs 750-crore cattle feed industry in a bind, with some sugar mills withholding suppiies in anticipation of higher realisation.

In cases where supplies are made, sugar mills are asking for a deposit or an undertaking to pay the differential in the price with retrospective effect in the eventuality of a hike in the price of molasses.

According to the Compound Livestock Feed Manufacturers' Association of India (CLFMA) chairman, Mr Anand Menon, the present uncertain situation is causing many units to close shutters, while others are on the verge of production stoppage.

Molasses is an essential ingredient in compounded cattle feeds, as it is used not only as a binder, but also as a provider of palatability to the feed.

Moreover, there is no affordable substitute for molasses as far as the cattle feed industry is concerned.

The association says that the increase in prices of molasses by Rs 250 to Rs 500 per tonne would spell a "death knell" for the cattle feed industry. The immediate upward impact on cattle feed prices is expected to be around 15 per cent per kg on an average.

In India, cattle feed is traditionally a home mix prepared by the farmers. In fact, 95 per cent of the feed intake in the country is home mix with the organised industry accounting for only 5 per cent.

Compounded cattle feed costs vary according to the grade, with the popular variety costing between Rs 2 to 3 per kg, the medium range between Rs 3 to 4 per kg and the premium about Rs 4.50 to Rs 5.50 per kg.

Even at these prices, it is difficult to make the farmers switch from traditional mixes to compounded feeds, so the question of passing the higher molasses prices on to the consumers will be a difficult proposition.

So, if the prices of molasses were to double, the industry would be in a real fix, argues the association.

The cattle feed industry is also worried that if molasses decontrol is implemented, there will be a large scale diversion of molasses to the country liquor industry.

The annual requirement of molasses by the cattle feed industry is estimated at 5 lakh tonne out of the total molasses production in the country of around 50 lakh tonnes.

The size of the cattle feed industry is projected to be around 25 to 30 lakh tonne per annum.

The CLFMA members' production accounts for about 14 to 15 lakh tonne, with the production from manufacturers who are not members of the association accounting for an equivalent amount.

Premature announcements of decontrol without considering the jurisdiction of the state government, and without adequately consulting industrial users, has enabled the sugar industry to either suspend dispatches to registered cattle feed manufacturers or demand higher prices which are unwarranted, argues the association.

It says that both the Central and state governments have to come up with a clear and unambiguous policy about molasses supply, and also take strict action against sugar mills which refuse supply against allocation released by the state government or demand a price differential as deposits or undertaking from feed manufacturers.

ECONOMIC TIMES 25-5-94.

Molasses shortage hits ICDS scheme

The Times of India News Service

BERHAMPUR (Orissa), August 16: With the mushrooming of liquor factories in various parts of the country to meet the growing demand for Indian made foreign liquor (IMFL), the demand for molassess has gone up and has resulted in its acute shortage in the open market.

The shortage for the past several months, has affected the nutrition programmes taken up for children under the Integrated Child Development Scheme (ICDS) especially in the southern districts of Orissa.

According to ICDS authorities the Anganwadi centres in the district, which distribute protein foods made of wheat and molasses, have not received the supply of molasses. The supply made through the Orissa Consumer Co-operative Federation, was stopped in March.

The food is being prepared without molasses, which sweetens it, and children are refusing to eat it.

The Centres are unable to purchase molasses from the market since prices are exorbitant, said the official.

TIMES OF INDIA 17-8-93

Worms found in imported sugar

By A Staff Reporter

NEW DELHI, December 15.

Delhi chief minister Madan Lal Khurana wants "inferior-quality" imported sugar supplies to city ration shops withdrawn. Their sample testing shows a disturbing number of live and dead worms.

Mr Khurana has written to Prime Minister Narasimha Rao and minister of state for food Kalpnath Rai, expressing concern at the supply of "adulterated" sugar by the Food Corporation of India.

He wants replacement with good Indian sugar. And further "guidance" whether ration shops should be told to stop distributing imported sugar. They have already been asked not to sell the poor quality sugar.

The CM also wanted a senior judge to probe how infected sugar was supplied. "The Union government has already formed a committee on the (imported) sugar scam. Supply of insect-infested imported sugar is even more serious."

"This (imported) sugar was forced on us, and should be withdrawn." The CM accuses Mr Rai of avoiding the issue, and him.

A few days ago, ration shop owners met the CM, complaining of insect-infested sugar. The prevention of food adulteration department, say officials, lifted 300- to 340-g samples from Batra Stores in Indra Nagar on Monday. Sugar bags bore the legend "EEC II British sugar, current crop."

The report said that there were three live and 25 dead insects in one sample, two live and two dead ones in a second one and six live and six dead insects in the third sample. The verdict was that "due to the presence of insects, the sample is adulterated." Samples were then lifted from two more places, both in south Delhi.

But the samples met all other specifications. As even live insects were found, officials suspect "something basically wrong with storage (not so much the sugar)."

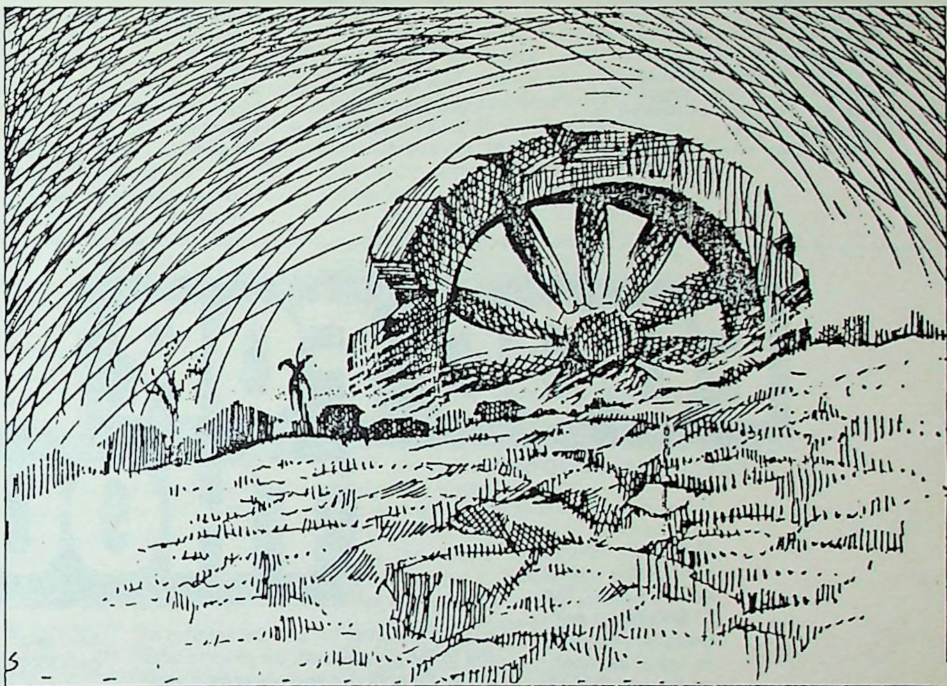
On storage, Delhi supplies minister Lal Bihari Tiwari said just three of six FCI city godowns had stocks, with stuff lying in the open. "But even the FCI is under (Mr Kalpnath) Rai."

Worse, said Mr Tiwari, sugar bags supposed to have a net weight of 50 kg are each short by 3-4 kg. Weighing each bag has meant much slower lifting. Even wheat and rice supply is unsatisfactory, with rates so high, that they are comparable to the open market.

TIMES OF INDIA 16-12-94.

Poor go to bed hungry under reform

Arun Ghosh on the neglect of the majority of population dependent on agriculture



As per the 1991 Census, more than 70 per cent of the indian population still lives in villages and approximately 65 per cent of the workforce—111 million cultivators and 75 million agricultural labourers out of a total workforce of 286 million—is still directly dependent on agriculture. These are sobering data; and in the euphoria of "market-led" investments in a globalised framework, we—the beneficiaries of amenities provided by the metropolitan authorities—are likely to forget that even as of today, the majority of Indians live in rural areas under increasingly distressing conditions.

The number of those who subsist below the "poverty line" become available only with a considerable time lag; and National Sample Survey data on the subject are available only up to 1987-88. There has been some controversy on this issue because the "official" estimate of poverty—based on NSS data, but with the income of all classes adjusted upwards by a factor by which total consumption estimates given in the National Income Accounts exceeds the total consumption estimates derived from NSS data—indicated that only some 30 per cent of the population was below the poverty line, whereas a detailed and painstaking study by three eminent scholars—B S Minhas, S D Tendulkar and L R Jain—found 43 per cent of the population below the poverty line in 1987-88. Since then, a Planning Commission working group under V M Dandekar has come to the conclusion that some 38 per cent of the population may be deemed to subsist below the poverty line. If this percentage is accepted, for a population of some 900 million odd as of today, the number of persons below the poverty line would be a colossal 342 million.

And very recently, Kirit Parikh (Director of the Indira Gandhi Institute for Development Research) has stated that the average per capita consumption (net availability) of foodgrains—as derived from the annual "absorption" of foodgrains in the Indian economy (derived as net production adjusted for net exports and official stock changes)—has declined from 510 grammes per day in 1991 to 465 grammes per day in 1993, a fact also acknowledged in the latest official Economic Survey, 1993-94.

Parikh has also indicated (in a Mid-Year Review of the Indian Economy discussed at the India International Centre, New Delhi), quoting, presumably official figures, that foodgrains stocks with the Government (Central and states) had touched a peak level of 31.9 million tonnes (at the end of May 1994) and, according to him, there was every prospect of the stocks increasing further. (No doubt, over the 12 months ended July 1994 as also August 1994 stock of foodgrains with the Government (Centre and states) has recorded increases of 6.15 and 6.11 million tonnes respectively).

Recent official data, however, tell a different tale. The overall stock of foodgrains with the Government (Centre and states) had come down, despite lower offtake from the public distribution system during the first of half of the current fiscal year compared to 1993-94, to 27.46 million tonnes by end September, presumably because of large open market sales of wheat, and at marginally subsidised rates to bakeries to enable them to supply subsidised bread for the relatively poor.

Let us look at the problem differently. If the average per capita consumption (meaning net availability) of foodgrains in 1993 were the same as in 1991, for 900 million heads, we would have had to provide for an additional 15 million tonnes over the year; and the Finance and Food Ministries would not be worried about the mounting costs of foodgrains storage. (The fact that part of these large stocks becomes unfit for human consumption because of the poor quality of storage, is another matter that should concern us, but let us pass on to the main issue rather than dwell on the peripherals).

A recent Planning Commission study puts the number of people below the poverty line at 38 per cent of the population

No matter how much euphoria is generated by the bullish trend in the stock market, or how much peace of mind—to the extent of complacency—our policymakers have because of the huge and still increasing foreign currency assets, the startlingly distressing evidence that we get of the impact of economic reforms on the poor is the decline in the average per capita food consumption (net availability).

Not much reliable data are available on employment; and it could be that overall employment opportunities are shrinking. It could also be—since there are no reports of starvation deaths—that fitful employment at low wages and inflation have combined to make a sharp dent even in regard to such a basic human need as foodgrains consumption by the poor. (One can dismiss the idea—as Kirit Parikh rightly did—that this indicates a shift of consumption demand away from foodgrains to meat, fish, eggs, milk, fruits and vegetables.)

But how is the on-going economic reform process linked to the obvious increase in poverty (as indicated by the data on food consumption)? There are a number of factors at work. First, since 1978-79, investment in agriculture (in real terms) has been steadily declining over time. Since the CSO has changed the base year to 1980-81 for the latest series, let us compare the latest data with that of 1980-81. Gross capital formation in agriculture (at 1980-81 prices) declined from Rs 4,636 crore in 1980-81 to Rs.4,567 crore in 1992-93. These figures include all investments made by both the Government and the farming community. As a percentage of total gross capital formation in the economy, that in agriculture declined from 15 per cent in 1980-81 to 7.9 per cent in 1992-93. More importantly, such investments as are being made (even in agriculture) have been such as to require less labour for obtaining an increase in agricultural output.

There is also increasing evidence that, of late, because of high interest rates and relatively poorer returns on investment in agriculture relative to that in large industries, or even in real estate or in financial assets, rural savings get diverted to metropolitan areas. The latest break-up in regard to deposits (raised from rural and urban areas) are not available, but, of late, the credit: deposit ratio of banks has been declining sharply, while the financial investments: deposit rates has been increasing equally sharply. Long term credit for agricultural investments by all financial institutions was Rs 5,242 crore (Reserve Bank data, as per Annual Report for 1993-94). As against this total, long term assistance to industry by public financial institutions, by way of disbursements during 1992-93, amounted to Rs 13,907 crore.

Here, we see the priorities and the emerging scenario. Large and medium industries in India employ around 6.3 million people (taking both the public and private sectors (RBI data on employment): this sector received financial assistance worth Rs 13,907 crore for investment, from public financial institutions. Agriculture, employing some 186 million people, obtained Rs 5,242 crore for investment, from public financial institutions. The money raised by large industry from the capital market is additional; but then, we must also consider direct investments on farms by the farming community. The latter, as we have seen, has been declining.

The present euphoria on the success of economic reform does not affect the lives of some 65 per cent of the population dependent on agriculture. Rural development is not on the agenda of the Government. Nor indeed is employment generation a part of programme of economic reform.

The author is a former Member Planning Commission

FINANCIAL EXPRESS
7-12-94

FOOD FOR THOUGHT

JAYSHREE SENGUPTA

How is it that we are still seeing news items like "5,000 die of malnutrition every day in India" as reported by the UNICEF recently? Did we not attain self-sufficiency in foodgrains and are we not one of the biggest milk producers in the world? We read on, "As many as 400 children die of malnutrition every day in Rajasthan alone." It seems that India's performance is at the very bottom in child care, behind countries like Bangladesh, Mauritania, Pakistan, Nigeria and Niger. The real reason for such glaring aberrations in the seemingly-comfortable situation of having doubled our grain output since the 1960s, and, the Green Revolution spreading all over India, is that in the last few years, the sad plight of the poor has worsened due to a rise in foodgrain prices.

First, there was the devaluation of the rupee in July 1991 by 25 per cent, that made many of our agricultural commodities cheaper in the international markets. Farmers found it profitable to export the rice consumed by the common people. The government, which has been buying surplus rice from the farmers in order to supply to the poor through the public distribution systems, found it difficult to do so because the government's 'procurement' price was not high enough. In order to coax the farmers to sell to the government, the procurement prices for both rice and wheat were raised in January 1993, with a further hike soon after. Secondly, the procurement prices were also raised to appease the big farmers' lobby, which wanted higher market prices for foodgrains.

According to researchers S.P. Pal and D.K. Pant of the National Council of Applied Economic Research, New Delhi, the rise in foodgrain prices, resulting from an increase in the procurement prices, led to a decline in the per capita foodgrain consumption, in the last three years. It declined from 510 gms per day in 1991, to 466 gms per day in 1993. Pal and Pant also point out that except for Kerala and Punjab, the real wage rates, i.e. the actual amount of goods and services money wages can purchase, in rural areas have also shown a decline between 1989-90 and 1991-92. Because, between 1989-90 and 1993-94, food and non-food prices increased by 63 per cent and 45 per cent respectively.

The only gainers were farmers, who had marketable surpluses of foodgrains. All the others have had to spend more on foodgrains. Therefore, one should not be surprised to see the indicators of protein energy, malnutrition and infant mortality deteriorate in the last few years for the low-income groups. When food prices rise, the poor try to make ends meet by eating less or eating poor-quality food that are low in protein and other nutrients. In such situations, children are born underweight because the women are eating less than they should during pregnancy. Such underweight children need additional nutrition to grow normally, but unfortunately in hard times, they are not likely to get it. This could be one of the reasons for malnutrition.

There has been another alarming trend in recent years, which is stagnation in foodgrain production. As part of the structural adjustment programme, the government announced in August 1991, a substantial reduction in the budgetory subsidy on fertilisers, and the fertiliser prices increased by 30 per cent. When foodgrain prices increase along with fertiliser prices, then according to experts, there is not much adverse effect on foodgrain production. The profitability of foodgrain production, in fact, did increase from 1991-92 to 1993-94, in the prosperous states of Punjab and Haryana. The big farmers could pass on the rise in the price of fertiliser to the consumers. But the sharp rise in fertiliser prices was felt adversely by many smaller and marginal farmers. They were not producing for the market, and so they were buying less of fertilisers, as a result of which productivity suffered. Taking all-India production figures, one notices a fall in foodgrain production and near stagnation of many crop outputs during the last three years, which could be attributed to the rise in fertiliser prices.

Stagnation could also be explained by another phenomenon — a decline in investment in the irrigation and rural infrastructure — by both the government and the farmers. The Plan outlay for irrigation and flood control shows a negative growth. When public investment is not increasing, then farmers themselves also postpone investing because they wait for the big investments to come first from the government. Dr Pal warns, "If this trend continues, then the growth in the total area under foodgrain production may decline in the future, which in turn would adversely affect agricultural production and rural employment."

The Dunkel proposal will also cause problems, because it calls for less governmental control in the fixing of input-output prices. So, there will be less government involvement in the fixing of procurement prices of foodgrains, which could result in a slump in their prices and a decline in procurement. Farmers would then shift to producing non-food crops. This tendency is being encouraged and amplified by the recent market-friendly food policies and the opening up of agro business and processing to multinationals. The multinationals find it profitable to operate from the villages in India because of the cheap access to raw materials.

From Himachal Pradesh to Rajasthan, Karnataka and Andhra Pradesh, a shift in the cropping pattern is evident as more and more land is being devoted to the cultivation of sunflowers, roses, tomatoes, fruits and vegetables. Along the coastal areas in the east — from Orissa to Tamil Nadu — paddy land is being taken over for shrimp cultivation, making that land useless for cultivation of rice because the farmers are pumping in sea water for the shrimps. This will result in salinity of the soil and is ecologically dangerous. The production and processing for exports and for domestic consumption of non-foodgrain crops by the multinational companies can therefore damage our food security.

Of course, we can always import foodgrains instead of producing them and we may be forced to do so with the freeing of the world trade in agriculture under the GATT agreement. With a stagnant output in foodgrains, this will mean that a nation as big as ours will have to depend on the outside world for our food requirements. It will very much suit the interests of the industrial countries to be able to export to us some of their huge grain and butter 'mountains'. Through years of protection and subsidisation of agriculture, Europe and North America have accumulated such massive surpluses. As soon as they start dumping their surplus grains or meat on the developing countries, the prices of such products produced locally plummet, making it unprofitable for farmers to produce them any longer for the domestic market. •

SUNDAY, JULY 31 - AUG. 6, 1994.

Reforms spell risk to nutrition plans

By Bharat Dogra

IT is well known that even in normal times malnutrition and undernutrition exists in India. According to a Seventh Plan document a dietary survey by the National Nutrition Monitoring Bureau revealed that nearly 50 per cent of household surveyed in different states of the country consume food which is quite inadequate either in calories or proteins, or even both.

It is in these conditions that the impact of structural reforms or adjustment of the national economy now in progress has to be examined. This is likely to have a further worsening impact on the nutrition in the following ways: (1) There will be a rise in unemployment; (2) there will be a rise in prices in general; (3) more specific will be the rise in the prices of staple foods; (4) a big increase in the exports of some food products will have an adverse impact on domestic availability; (5) in the long term good agricultural land and irrigation facilities will be diverted from staple foods to export crops; and (6) at least in the short run the government may reduce expenditure on drought relief works and in the relief works for other disaster, even poverty alleviation, as part of the overall efforts to reduce governmental expenditure in general.

Rise in unemployment is related to structural changes in industry, liberalisation of imports, curbs on government expenditure and other factors. Despite some deflationary policies being a part of the structural adjustment, inflationary trends are nevertheless built into process due to the increase in the price of oil, coal, steel, fertilisers and other such commodities which have a spill-over effect on a wide range of consumer goods. In addition, the increase in the price of public utilities, again as a part of structural reform of removing the 'losses' and curbing the subsidisation of such utilities, also adds to the inflationary trend.

The increase in fertiliser price raises the demand for the increase in the procurement price of foodgrain and the subsequent effort to curb the food subsidy as well (again a part of the structural reforms' insistence on ending or reducing such subsidies). The pressure for raising the price of the staple food items specially foodgrain supplied through the public distribution system (PDS). In recent months not only PDS rates increased substantially, in addition there have also been several reports of the PDS allocations being decreased so the people have to depend more on the open market where the prices are even higher.

For already hard pressed people the year 1992 started with the distressing news of a nearly 30 per cent rise in the issue price of wheat and nearly 20 per cent in rice price.

Land and People, a journal brought out by the Society for Participatory Research in Asia, reported in a recent issue, "The quota of wheat has been reduced to 3 kg per month per unit from 10 kg per month per unit in Bikaner district of Rajasthan.

Allocation of wheat per family per month is cut down from 20 kg to 10 kg in Gujarat. In Sidhi district of Madhya Pradesh, it has been reduced from 12 kg to 3.5 kg per card-holder per month and in Maharashtra, the trend is no different. "This is merely the reduction in

Structural adjustment policies call for an all out effort to increase exports, and in this effort a lot of weight is being given to the drive to increase farm exports. This can have a very adverse impact on the availability and price of some staple and nutritious foods within the country.

allocation, which has been a result of the cut in the food subsides. Another direct result, which operates on the demand side, is the increase in the price of items sold through the PDS.

Alleging that the 'last safety valve' in the form of PDS is being curtailed by the government, this report says by way of evidence, "This is clear both from the ground level reports and also various government budgets for 1992-93 where there has been a 12.28 per cent cut in nominal terms in the 1991-92 revised budget for food subsidy. The fact that there has been a cut in the JRY (Jawahar Rozgar Yojna), a rural employment scheme, the budget also indicates the coming hardships on a population already under pressure".

Structural adjustment policies call for an all-out effort to increase exports, and in this effort a lot of weight is being given to the drive to increase farm exports. This can have a very adverse impact on the availability and price of some staple and nutritious foods within the country. Already such exports are being sent in quite big quantities as is evident from the table given below:

Export 1989-90
(Provisional data)

(Rs Crores)

Commodity	Value
1. Rice	427
2. Sugar and molasses	32
3. Oil cakes	546
4. Fish and fish preparations	687
5. Meat and meat preparations	114
6. Fruits and vegetables and pulse	208
7. Misc. processed agricultural goods (including processed food and juices)	160

The Director General of Indian Council of Agriculture Research, Dr V.L. Chopra, claimed on August 29, 1992, that the export of principal agricultural commodities by India had witnessed a three-fold increase in the last six years from Rs 1,908 crore in 1985-86 to Rs 6,195 crore in 1991-92. Moreover, this trend is persisting further as all sorts of concessions and facilities are being made available for increasing farm exports. The Union Agriculture Minister recently said in Hyderabad that a 50 per cent rise in export of agriculture and marine products was expected during the current year.

In this brisk pace for trying to increase farm exports one should not be surprised if the safeguards for protecting the interests of adequate availability within the country are somewhat forgotten.

A longer term danger is that good quality agricultural land and irrigation water will be shifted from staple food crops to cash crops, a trend that has already picked up to some extent. As staple foods get shifted to less productive land, a serious food shortage may emerge.

Here it is important to stress again that India's food position has remained precarious despite the green revolution, and the stocks at the stores have looked adeqaute only because of the low purchasing power of a large number of people to buy food. Therefore, it cannot be said that the drive for food exports is being accelerated at a time when the basic food needs have already been met satisfactorily.

50
NATIONAL HERALD 26-11-92.

PDS sugar price hiked by 20%; package for new units

Our New Delhi Bureau
NEW DELHI 16 FEBRUARY

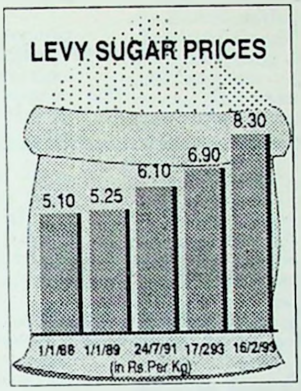
THE GOVERNMENT has announced a 20-per cent hike in the price of retail sugar sold through the Public Distribution System, and an attractive incentive scheme for new units and expansion projects..

Announcing this at a press conference here, the Union minister of state for food, Mr Kalpnath Rai, also disclosed that a proposal to delicense the sugar industry was under active consideration, but he added that the existing licensing arrangement would continue "in the meanwhile".

The price hike, from Rs6.90 per kg to Rs8.30 per kg from Wednesday, will have a marginal affect of 0.015 per cent in the Wholesale Price Index (WPI), the food ministry has estimated.

Mr Rai said the government was taking a series of policy initiatives for the sugar industry to encourage sugar mills to optimise their sugar production and improve their viability. He said that the ratio of levy and free sale ration had been changed to 40:60 from the earlier 45:55. Also, a buffer stock of 500,000 tonnes of sugar will be created with effect from April 1 this year and sugar factories will be reimbursed the storage interest and insurance charges from the Sugar Development Fund.

The minister stated that the Statutory Minimum Price (SMP)



for sugarcane for the year 1993-94 had been set at Rs32.50 per quintal linked to a basic recovery of 8.5 per cent. The SMP for 1992-93 season was raised to Rs31 per quintal linked to a basic recovery of 8.5 per cent as against Rs26 per quintal for the previous season.

The revision of the SMP, the minister said, required a higher retail price for levy sugar supplied through the PDS. He said the SMP had been revised twice, the prices charged from customers had not been raised. This led to the accumulation of substantial arrears in the levy price account maintained by the Food Corpration of India. The increase in sugar prices would recoup the earlier deficit and compensate for the increase in the support price of sugarcane.

Mr Rai also announced incentives for the new sugar factories and expansion projects licensed during the period September 7, 1990 and March 31 next year.

These are: (a) New units in High Recovery Area would be entitled for 100 per cent freesale quota of sugar produced by them for eight years while units located in Other Recovery Area would be entitled for incentive for 10 years comprising 100 per cent freesale for nine years and 66 per cent freesale for one year.

(b) Expansion projects in High Recovery Area would be given incentives at 100 per cent freesale for five years and those in Other Recovery Area, for six years. The quantum of incentive will be worked out with reference to the excess production achieved by the expansion projects.

(c) All sugar factories and expansion projects which have been licensed during the Seventh Plan period up to September 6, 1990, and which commence production on or after September 7, 1991, will also have the option to avail of incentive under the above new scheme or the earlier scheme.

The minister said these incentives were worked out in view of the situation of the industry. At present, licences granted for establishment of 94 new sugar factories and for the expansion of 177 factories are pending implementation. Financial institutions have not been providing necessary assistance to the sugar factories for completion of the projects due to the non-viability of the projects. The institutions requested the government to review the old incentive scheme in view of the increase in the project cost and other escalations.

ECONOMIC TIMES 17-2-93.

Prices of pulses, rice shoot up

A HUGE hike in prices of basmati rice and pulses at controlled rate outlets has made a major dent in house budgets of people residing in the Capital.

At Super Bazar outlets, price of basmati rice has risen by almost 50 per cent within a month, while most of the pulses, which registered a hike from 20 to 45 per cent, have gone beyond reach of a common person. No dal is available for less than Rs 20 a kg in the market barring arhar, chana and moong (washed).

According to wholesale traders at Naya Bazar, a major supplier to Super Bazar, in the Walled City the hike in prices of pulses and rice was artificial as there was no dearth in stocks of pulses in the open market, except white chana which was imported less from Turkey, and basmati rice which was hoarded by the exporters.

General secretary of the All India Rice Exporters Association Padam Chand Gupta said there was no panic in supply of basmati rice before Diwali last month, as the wholesale price was only Rs 14.50 per kg.

"In fact, the problem was started by big rice exporters, who in anticipation of large export contracts, picked up paddy from the markets in Punjab and Haryana by paying more prices and hoarded it." Mr Gupta said.

He further said the so-called "mill exporters" paid Rs 18 per kg for basmati rice which was only Rs 14.50 before Diwali. "Basmati rice vanished from the market and this created panic in the market, as most of the rice traders started hoarding whatever quantity of basmati rice they had," he added.

However, Mr Gupta said, the mills exporters, who were expecting to get a high price for basmati rice from countries like Saudi Arabia and USA, have failed to get any contract.

"They had quoted a figure as high as 800 US dollar per ton (normal price is 300 US dollar per ton) for selling basmati rice to these countries, saying that the rice crops were destroyed due to bad monsoon this year in our country. Since Saudi Arabia and the US had enough stocks of basmati rice with themselves, they told our mill merchants that they will wait till the normal prices restored in India," he said.

According to the Exporters Association, India had already exported 3.7 lakh ton of basmati rice till November this year.

Mr Gupta feels that the normalcy in basmati rice's price will soon be restored, as the exporters will now take out the hoarded paddy since they could not get good response from the foreign market.

The reason of hike in pulses is, however, altogether different. A major pulse trader, Mr Joginder Kumar, said of late there is a downtrend in the pulses' prices barring Urad washed due to poor crops in Maharashtra and white chana, which is being imported from Turkey.

Dy general manager, Super Bazar, R D Shrivastava, who was officiating in absence of general manager on Monday, refused to comment on massive hike in prices of basmati rice and pulses.

THE PIONEER 20-12-94.

No funds to combat hunger in Orissa

The Times of India News Service

BHUBANESWAR, March 2.

THE Orissa government today expressed its helplessness in combating poverty and recurrent starvation deaths in the state citing dearth of money as the main stumbling block.

Making a statement in the state assembly on an adjournment motion regarding starvation deaths in Kalahandi, the revenue minister, Mr Surendra Nath Nayak, did not deny starvation deaths in the state, but pointed out that due to limited resources, it was not possible to check them. The state government had been asking the Centre for the last three years to come to its help, but nothing had happened yet, he added.

The minister, however, said that the alleged starvation deaths at Salenga and Mesinga villages in Bhabanipatna block in Kalahandi district were not due to starvation. He also rejected the demand for the formation of a House committee saying that it would not solve the problem. Only a lot of public money would be spent, he added.

Mr Nayak said the government had instructed officials to immediately attend to complaints regarding starvation and assured the House that action would be taken on any lapse on that front. He urged members of all parties to put up a united effort against poverty and starvation deaths.

The ruling Janata Dal member, Mr Surendra Nath Mishra, alleged that on December 8, he had brought to the notice of the Khurda sub-collector how members of four families in his constituency were starving. But no action was taken immediately. On February 28, one Raghunath Bhola (65) of Khalikote village died of starvation leaving behind his wife. The condition of the old woman was still precarious, he added.

Mr Mishra told reporters later that he had written a let.er to the chief minister, Mr Biju Patnaik, urging him to undertake a complete survey of people starving in his area and provide relief to them. He also said that two months ago, an old man of Dhalapathar village had died of starvation. The authorities had given Rs.250 to meet his funeral expenses, he added.

PTI adds: In his reply, the revenue minister, Mr Nayak, denied that Madua Majhi of Salegan village and Natha Harijan of Masinga village had died of starvtion. Both were regular recipients of old age pension and had died of old age, Mr Nayak contended quoting official reports.

The minister said he was not denying that starvation deaths had occurred in the stte, but the question was how to initiate remedial measures.

Mr Nayak regretted that even though the government wanted to create permanent assets to fight the drought conditions and the poverty of the people, it was not possible due to paucity of resources.

TOI 3-3-93.

Sucking dry the gene pool

PRAFUL BIDWAI

If the finance minister, Mr Manmohan Singh, had set out in July 1991 to deliberately undermine India's long term potential for development he could not have done a better job than he has. In the name of liberalisation, globalisation and reducing excessive state intervention he has permitted the unfettered penetration of international capital into India in three critical areas. And that on inequitous terms, in ways inconceivable only a few years ago.

The three areas are plant genetic resources, energy and technology development. These are important measures of a nation's resource endowment as well as its ability to use the same for true long term growth.

The first of these has been appropriately called the "last frontier". It is an irreplaceable gift of nature in the form of genetic material, evolved and conserved in interaction with human beings through centuries.

India is one of the world's richest reservoirs of plant genetic resources. Thousands of varieties of cereals, vegetables, grasses and trees originated here thanks to its specific geology, geography and climate. It is one of the "Vavilov centres" or great clusters of genetic diversity on which the world's food economy and very survival depends.

It would not be an exaggeration to say modern agriculture would have been impossible without the contribution of these centres. Most of them are located in the South.

India is allowing the plunder of these resources by multinational seed, pharmaceutical and cosmetic companies. It promotes hideously unequal relations of exchange between ordinary peasants and plant breeders. All in the name of modernisation and growth.

At the heart of this inequity is theft of precious genetic material for which not a soul is paid on the pretext that it is the "common" heritage of "humanity". Unlike, say, bauxite in Canada, iron ore in the United States or timber in Sweden, which are of course "national" resources.

Once stolen the material is manipulated in the multinational's seed laboratories and sold back to third world peasants for enormous profits. The effects of its promotion in the form of hybrid seeds through monocultures can be ruinous.

Over the past few years India has allowed, even encouraged, this plunder at the cost of enormous damage to its genetic resources base. It is now about to sign a wholly unequal treaty, the Dunkel draft of the the General Agreement on Tariffs and Trade, which will institutionalise these resources as intellectual property. This will make Indian agriculture vulnerable to international capital.

The Dunkel proposals have rightly been criticised for their bias against the South in general and Indian industry in particular. It is not adequately appreciated their impact on agriculture will be even more harmful. They will at one fell swoop render irrelevant and unachievable the entire agenda of balanced, sustainable agricultural development.

Indians can forget about food security. India which has long opposed private monopolies of natural resources and an intellectual property regime in seeds is about to cave in.

GATT will open up possibilities of exploitation that could make the misdeeds of Cargill and W.R. Grace — now patenting various products from Indian *neem* — look like an innocent prank. In return India will not even get crumbs in the shape of significantly improved access to the West's protected markets.

If the plant gene story is depressing, India's invitation to foreign companies to take over the power sector is no better. Electricity is a form of energy which unlike most goods cannot be transported. It is not textbook tradeable. That is why even Western nations follow a policy of energy independence, based on national resources and technologies. Except for in the US, power generation is in the public sector everywhere in the world. Its distribution is universally handled by national, regional. or municipal bodies.

A similar policy in India helped create a national grid, build an industry that makes a range of power generation equipment and install a generating capacity of 65,000 MW. All this despite the notoriously corrupt and inefficient electricity boards. That policy is now being jettisoned lock, stock and barrel.

New Delhi is about to hand over power distribution to a private company with no experience in the field. All because of a mistaken assumption a private company will be able to manage a public domain task. In other words balancing competing demands on the basis of social, not commercial, priorities.

Mr N.K.P. Salve is roping in all manner of foreign firms, the identity of which he refuses to disclose, to set up power stations. He is offering terms that leave even the greediest gaping in disbelief — a 16 per cent after tax return, a handsome debt equity ratio, minimal promoters' capital requirements and an absurdly low plant load factor.

These terms will give us gold plated electricity. Peasants in Bihar will now be ruined not so much by sneezing on the Chicago commodities exchange but by manipulation of the rupee's exchange rate with the dollar, the currency in which the price of power is to be denominated.

Proposals for tens of thousands of megawatts are said to be in the pipeline. A single US consortium wants to build 4,000 MW. Thus deals like Enron, a $ 2.5 billion 2,015 MW project that will burn scarce imported gas in Maharashtra's Ratnagiri district, are being struck. Mr Sharad Pawar is lobbying the Centre hard for this.

The project is so inappropriate and cost ineffective that even the World Bank has refused to finance it. But Mr Pawar continues to plead for it on the basis of spurious projections. His calculations overstate future demand for power by assuming efficiency of use will stagnate even as aggregate growth rates rise.

Then there is the Narmada project's semi-bankrupt Sardar Sarovar Nigam which is trying to find a foreign buyer for its proposed Rs 29 billion power system. There have been few takers thanks to the poor international reputation of the Narmada dam. SSN is unlikely to find adequate funds in the domestic market. So it can be expected to improve on its foreign offer making for a white elephant to place beside the ecological disaster of the dam project.

In the third area, technology development, the government's policy could not have been more unhelpful. Mr Manmohan Singh has repeatedly sent out the message he is in no way committed to promoting indigenous research and development. Last month he termed all non-commercial sources of energy as "useless".

He is starving research and development laboratories of funds in critical areas. This encourages the import of readymade technology packages. Most institutions under the Council for Scientific and Industrial Research, Indian Council for Medical Research and Indian Council for Agricultural Research have not been able to buy equipment, books or even maintain journal subscriptions for the past two years.

The government's technology policy draft now in circulation has further demoralised Indian scientists and engineers. This class already has to generate half its resources from a private industry encouraged by other official policies precisely to spurn indigenous R&D.

This is happening against a backdrop of decreasing in R&D intensity — that is, the ration between R&D expenditure and sales turnover — in Indian industry. The rations have gone from 1.13 per cent in the early Eighties to 0.81 per cent in the "liberal" mid-Eighties.

There is an inverse relationship between size and R&D spending which speaks of poor industry leadership. Technology imports are rising even though most are repetitive packages or technologies only doubtfully appropriate in Indian conditions.

The effect of this trend is already being felt in technologically strong sectors such as capital goods. This sector is reeling under the burden of inadequate protection against imports, particularly against dumping.

Even areas of basic research are being so starved of funds that many institutions are looking to foreign sources. This is a dangerous trend exemplified by a recent instance of unequal collaboration in high energy physics between the US's Brookhaven National Laboratories and Delhi University. The Indian researchers were drafted in to do all the lowly repetitive work while the US team did the quality tasks, reaping huge benefits.

Something similar is on the cards in several biology and biotechnology related fields. India's institutions are on the verge of being turned into supplies of cheap sources of labour.

In the name of liberating India once proud researchers and innovators are being transformed into hewers of wood and drawers of water in bondage to the North. The effect on Indian science and technology is disastrous. India is being transformed not into an Asian tiger but a Latin American style banana republic.

THE TELEGRAPH 28-10-93.

Tripping over seeds

VANDANA SHIVA

The conclusion of the Uruguay round of the General Agreement on Trade and Tariff negotiations poses a major challenge to people's movements for protecting nature and the diverse cultures of the third world. The trade related intellectual property rights treaty of GATT can become the most powerful tool for the ultimate colonisation of biodiversity and indigenous systems of knowledge.

If this has to be prevented on ethical, ecological and economic grounds, TRIPs' clauses on living resources must be converted into a zone of contest where movements working to protect biodiversity and indigenous knowledge act as a countervailing force to the corporate drive for monopoly control.

The intellectual property rights regimes being pushed by GATT deny innovation by millions of farmers and tribals in the third world where biological diversity is most abundant and where knowledge of its use is most evolved.

Third world governments are already being forced to immediately change IPR regimes for plant varieties. Thus while the Indian government announces a transitional period of 10 years for such changes, it is also rushing to introduce legislation in the budget session of Parliament for plant and seed varieties.

The test for governments in evolving *sui generis* legislation is whether the law protects multinationals or rights of local communities who have been the original innovators in utilising plant diversity.

At the government level there are two imperatives for evolving new legislation to protect biodiversity. One comes from the biodiversity convention, which is now an international treaty for the protection of biodiversity.

The other comes from GATT. Article 27.5.3(b) of TRIPs states, "Parties may exclude from patentability plants and animals other than microorganisms, and essentially biological processes for the production of plants or animals other than non-biological and micro-biological processes. However, parties shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. This provision shall be reviewed four years after the entry into force of the agreement establishing the World Trading Organisation."

The second part of this article will most directly affect farmers' rights as innovators, plant breeders, and their community ownership of seed and plant material. TRIPs recognises the Western industrialised model of innovation but has failed to acknowledge the more informal, communal system through which third world farmers produce, select, improve and breed diverse crop varieties.

Seeds produced by farmers reflect their ingenuity, inventiveness and genius. However, the protection of collective intellectual property of third world farmers does not find place in TRIPs.

The challenge now is to use the clause to evolve a free standing or sui generis system to push for the protection of collective innovation and the creative potential of local people.

The farmer's movement in India has been resisting TRIPs because of its far reaching implications. Government statements that India will evolve a breeder's right system which will allow farmers to save and exchange seed non-commercially are quite unsatisfactory. For farmers, the right over their seed is fundamental, not a concession.

Farmers have started to assert themselves through common intellectual property rights. The first public demonstration of this new attitude was on Independence Day, 1993 when farmers declared their knowledge and biodiversity to be protected by a *samuhik gyan sanad*. According to this, any corporate use of local knowledge or resources without permission from local communities would be intellectual piracy, as in the case of the patents on *neem*.

The positive assertion of CIPRs creates an opportunity to define a sui generis system centered on farmers' rights. The commerce ministry has stated that India is free to set up its own sui generis system. It is time for the government to take some concrete steps protect India's resources and knowledge.

The government also has to interpret "effective" in Article 27.3(b) in a way that suits the national interest. In the absence of an adequate definition India is most likely to be forced into accepting the International New Varieties of Plants, a monopoly system for protecting corporate interest.

The term "effective" was inserted by the United States in the biodiversity convention and TRIPs to achieve this. The same phrase is also in section 301 of the Trade and Competitiveness Act of 1988 which has been used to retaliate against countries whose IPR laws do not conform to US standards.

The use of the term in all negotiations related to IPRs and biodiversity is an US attempt to globalise its IPR regime which allow patenting of all life forms. In the Dunkel draft, the phrase "effective sui generis" implies such a system will not be determined by countries but by GATT.

But before the implementation of the Article 27.3(b), its precise connotations have to be decided — for whom it is to be effective and for what.

In GATT the only concern is protecting corporate interests. However another multilateral treaty has also been signed by states which makes biodiversity conservation obligatory. It also guarantees sovereign rights of states to biodiversity and the patterns of its utilisation through articles 3 and 4. In addition, the convention recognises the role of local farmers and tribals in bio-conservation.

In the preamble, the convention states that contracting parties recognise "the close and traditional dependence of many indigenous and local communities embodying traditional lifestyles on biological resources". Article 10(c) and 18.4 encourage use of biological resources in accordance with traditional cultural practices and technologies compatible with conservation or sustainable use requirements. The convention thus offers avenues for the protection of farmers' and national rights to biodiversity.

However, this will raise certain crucial issues —whether effectivity will be determined by the respective states or by the WTO. It also has to be seen whether priority is given to profits or to protecting national interests, community intellectual rights, and biodiversity.

All the states had agreed to the upkeep of the latter set of principles in the biodiversity treaty as well as the Food and Agriculture Organisation undertaking on plant genetic resources.

In the March 1987 meeting of FAO third world delegates argued if plant breeders had ownership rights over the new varieties they had developed from third world genetic resources, third world farmers also had similar rights since they nurtured the biodiversity that breeders and the seed industry used as raw material.

Farmers' rights as defined by the FAO arise from their past, present and future contributions in conserving, improving and making available plant genetic resources, particularly those in the centres of origin.

There is thus ample legal ground to go beyond the INVP to evolve a sui generis framework for protecting biodiversity. It is also the only alternative to the INVP for protecting community intellectual rights.

The Indian government has decided to change the Seeds Act to set up a central seeds agency. However the changes are intended "as part of the TRIPs section of the recently-concluded GATT talks".

These shifts might actually be limiting India's options for a sui generis system. People therefore have to remain vigilant about the manifold possibilities that can force the country into accepting the INVP.

There is also a possibility the biodiversity issue will be used to dismantle India's patent system. India needs a two-pronged strategy to protect national patent legislation while creating new alternatives for biodiversity conservation and utilisation which should be beyond the scope of patentable subject matter.

It is imperative for countries to have strong legislation to allow exclusion of patents on life on grounds of public morality. Areas excluded from patentability need to be governed by non-monopoly regimes which protect people's rights to creativity.

Equal recognition needs to be given to creativity in different cultural setups. An IPR system is required which would recognise indigenous innovation and prevent piracy of the knowledge.

It is also peremptory to provide all members of the society with health and nutrition. Indian patent laws in fact do not allow patents for living resources. New and complimentary legislation to protect victims of biopiracy have to be evolved.

If the government fails to come up with a sui generis system that protects India's biodiversity and indigenous knowledge, and merely puts forward legislation to facilitate seed monopolies, farmers will be forced to violate laws that go against the spirit and legacy of Mahatma Gandhi and the freedom movement.

NATIONAL HERALD 1-9-93.

Farmers' Privilege Is Not Farmers' Rights

By VANDANA SHIVA

THE impact of the 'seed satyagraha', the movement for the protection of farmers' rights and indigenous seeds can best be gauged from the fact the director-general of GATT, Mr Peter Sutherland has had to intervene in the Indian debate with his article "Seeds of Doubt" (March 15). However, nowhere in his article has he referred to farmers' rights. All he has offered is an assurance on farmers' privilege, which is not the same as farmers' rights.

Farmers' rights are derived from the recognition of farmers as breeders. They are the equivalent of breeders' rights sought by corporate breeders under UPOV. Farmers' rights, as defined in the text of the International Undertaking on Plant Genetic Resources of the FAO means "rights arising from the past, present and future contributions of farmers in conserving, improving and making available plant genetic resources particularly those in the centres of origin/diversity". Farmers' rights are an intellectual right, based on the recognition of the intellectual creativity and innovative capacity of farmers. Farmers' rights challenge the myth that innovation only takes place in western labs and research stations.

Western Interest

The dominant paradigm of IPRs only protects innovation in the industrialised West. Centuries of innovation in the Third World are totally devalued to give monopoly rights to plant material to transnational corporations which make minor modifications compared to the evolutionary changes that nature and third world farmers have made. IPRs thus place the contribution of seed companies over and above the intellectual contribution of generations of third world farmers in the areas of conservation, breeding, domestication and development of plant and animal genetic resources.

As Pat Mooney has indicated, the argument that intellectual property is only recognisable when performed by white people in laboratories with white lab coats is fundamentally a racist view of scientific development. Two biases are inherent in this argument. One, that the labour of third world farmers has no value while the labour of western scientists adds value. Secondly, that value is a measure only in the market. However, it is now fully recognised that 'the total genetic changes achieved by farmers over the millennia is far greater than that achieved by the last hundred or two years of more systematic science-based efforts'. Plant scientists are not the sole producers of utility in seed.

Third world biodiversity has so far been treated as an open access global resource though it is local common property. Farmers' rights are essential for recognising the common property and national sovereignty regimes governing the utilisation and conservation of biodiversity, and for ending the regime of biopiracy based on treating these resources as freely available, belonging to no one.

Farmers' privilege is not a right. It is a mere concession given to farmers by seed corporations who alone have property rights derived from innovation with biological resources. Besides failing to recognise farmers' innovation, the concept of 'farmers' privilege' is also misleading because it falsely gives the impression that farmers can save seed as a right. However, IPRs in plant material are primarily based on the taking away of the fundamental right of our farmers to conserve, use and produce seed by multinational seed companies which see farmers' rights to their own seeds as an obstacle to their market expansion.

Hans Leenders, secretary general of the world seed houses and their breeders, had in fact proposed to abolish farmers' rights to save seed. According to him,"even though it has been a tradition in most countries that a farmer can save seed from his own crop,it is under the changing circumstances not equitable that a farmer can use this seed and grow a commercial crop out of it without payment of a royalty... the seed industry will have to fight hard for a better kind of protection."

The frantic cry for international property protection of seeds and plant varieties is for protection *from* farmers, who are the original breeders and developers of biological resources in agriculture. In India particularly, where nearly 80 per cent of the seed supply and production is still controlled by farmers, farmers are the main competitors of the seed industry in terms of innovation and rights to biological resources. Breeders' rights are aimed at displacing the farmer as competitor, and making him/her totally dependent on the industrial supply of seed. 'Farmers privilege is a concession within this monopolising system.

Varieties developed by modern plant breeders in international research centres or by transnational seed corporations are called 'advanced' or 'elite'. Thus the north has always used third world germplasm as a freely available resource and treated it as valueless. The advanced capitalist nations wish to retain free access to the developing world's storehouse of genetic diversity. It is this double standard in the treatment of innovation and rights in the area of biodiversity that the concept of farmers' rights is meant to challenge.

Rights And Privileges

The forest experience should teach us what happens when rights are replaced by privileges. During the reservation of forests by the British regime village communities who were losing their community forests started "forest *satyagrahas*" throughout the country in defence of their forest rights. These rights were reduced to privileges in the forest laws. Forest privileges are given at the whim and fancy of functionaries of the forest department. The original owners of the forests were thus reduced to being criminal and thieves. A similar process is now under way in the area of biodiversity.

TIMES OF INDIA 12-4-94.

IMPACT ON ENVIRONMENT

Life is not for patenting

Union Carbide charged in Bhopal gas case, but justice long way off

Degraded forest land for industry?

Majority foreign holding in mining soon

New trade policy will aggravate India's ecological crisis

Govt to woo pvt sector for wasteland investment

New trade policy will aggravate India's ecological crisis

Vandana Shiva

India's new trade policy which encourages natural resource exports will, argues the author of the article, aggravate the country's ecological crisis.

THE new Export-Import policy announced on 31 March is a prescription for accelerating the existing environmental crisis.

The list of items deleted from the negative list of exports and included under licensed and canalised exports is primarily a catalogue of natural resources, the environmental capital of the country, which is already severely depleted. Encouraging natural resource exports will aggravate their scarcity, and deepen the ecological crisis that the current scarcity entails.

The encouragement given to export of minerals will lead to the expansion of mining, which has already had disastrous environmental impacts in different regions of the country. Movements against bauxite mining in Gandhowardhan and limestone mining in Doon Valley had created a widespread awareness of the disastrous ecological consequences of mining. **The Supreme Court judgement that led to the closure of most mines in Doon Valley states that when economic activities become a threat to life-supporting ecological processes, they must be stopped.** These reasons are being totally forgotten in the new mineral policy announced on 5 March which has thrown the mining sector open to multinational corporations. In addition, the new thrust to export of pig iron, iron ore, rock phosphates, rare earth metals, asbestos, magnesite, lignite, laterite, bauxite, coal basically amounts to a free licence to rape the land and minerals of this country. Special mention has been made of Meghalaya coal, which incidentally was also given a five-year tax holiday in the budget. Export of natural resources in this way destroys the environment, robs people of their means of livelihoods, creating poverty and destitution. The people get poorer, but the country does not benefit either because the exploiting corporations enjoy 'tax holidays'. Besides minerals, the new EXIM policy is promoting the export of our vital living resources, which will inevitably lead to further erosion of biodiversity and genetic resources.

Livestock is already in short supply in the country, and livestock scarcity is becoming the limiting factor preventing a transition to sustainable agriculture. By permitting free export of livestock and animal products without a policy for their replenishment, the EXIM policy is sounding the death knell for our animal genetic resources. Camels, mules, donkeys, live sheep and goats, meat of buffalo (both male and female) and of Indian sheep including heart, liver, lungs, brain, tongue, kidneys, offals and other organs, can all be exported, creating a crisis of animal energy and animal manure in rural India, two inputs essential for sustainable agriculture. Cows and their parts are not mentioned because the cow is supposed to be sacred in this land. But who will guarantee that the sacred cow stays unaffected by the new export policies?

Livestock depletion will also take place because the export of resources on which our cattle population is dependent. Groundnut cake and cotton seed cake are essential aspects of the animal diet in India. Their export will further deprive our animals of food.

The most suicidal depletion from the negati· e list is the export of straw or hay. In my book *The Violence of the Green Revolution* I have shown how the non-sustainability of agriculture today is fundamentally linked to the scarcity of straw. Straw is essential for maintaining the nutrient and water cycles in agriculture. 'Green Revolution' varieties reduced straw production because they were primarily dwarf varieties. This in turn reduced the organic matter returned to the soil, leading to increased occurrence of drought and desertification and soil deficiencies and diseases.

Fukukua's 'One Straw Revolution' is a testament of the ecological value of straw. At a time when the entire world is waking up to the need to increase organic matter production for soil fertility renewal, our Commerce Ministry is exporting this primeval source of fertility -for cash. Ecological wisdom demands that straw exports be banned, since our agriculture is already in a critical condition due to scarcity of straw. While straw is ecologically non-sustainable for sustainability of agriculture, the little price it will fetch in exports can never compensate for the breakdown of ecological processes resulting in the expenditure of millions for drought, floods and famine relief.

The new EXIM policy has also given an open permission for export of seeds and plant and plant portions and derivates obtained from the wild. Wild plants of economic value have already been over exploited, and many are threatened with extinction. Seed of wild rice and wild wheat varieties has been allowed to be exported. Further, the free export of seeds totally ignores the complex, controversial and unresolved issue of intellectual property rights which has been highlighted through the Dunkel Text of the GATT treaty. Such exports could violate the Biodiversity Convention to which India is a signatory and which is committed to protect biodiversity.

In a very real sense, the EXIM policy is trading away the very survival of the people and the environment of India. The freedom to export wheat, rice, barley, maize, *bajra, jowar, ragi* from a country ridden with poverty and malnutrition amounts to condemning it to the condition of Ethiopia and Somalia.

The Commerce Ministry has stated that instead of resisting the agriculture treaty in GATT, we are supposed to welcome its prescriptions. In fact, the policies prescribed in the Dunkel Draft are already being implemented through the new EXIM policy by focussing on agricultural exports.

India, it is stated, is adopting the strategy of the CAIRNS group in GATT negotiations. This is a fallacy. The CAIRNS groups include countries like Canada, Australia, New Zealand and Argentina which have small populations and surplus land. In India, the situation is the reverse. We have a large population, and not enough land.

Agricultural exports from India can only come at the cost of people's survival and a rising debt burden for food imports. The Bengal Famine which killed 2 million people was also the result of putting exports above people's survival. Exports boomed but people died. The only difference was that the 'free export' policy of 1942 was under a colonial regime while the 'free export' policy of 1993 is being written in so-called independent India.

Projects which have a potential environmental impact are subjected to environmental impact assessments (EIAs). We now need EIAs for policies. In particular, we need to subject trade policies to environmental impact assessments.

In a period when trade determines production and use of natural resources rather than sustainable use of natural resources determining trade patterns, trade and environment must necessarily become a new area for environmental activism. Movements like Nate-naraj Andolan (Our rule in our village) become necessary for survival as the state withdraws from its regulatory functions and seems to exist only to give tax holidays and unrestricted access to natural resources to corporations.

In Bastar, in Gadchiroli, in Kolhan, in Narmada Valley, communities are refusing to allow the devastation of their homes and their environment. Since the state refuses to perform its environmental duty, communities of tribals and peasants are being forced to take over the responsibility. It is their actions that are attempting to protect our future while the government barters it away through the structural adjustment-induced EXIM policy. With the new EXIM policy, we do not need to wait for Dunkel to dismantle all environmental and human rights as barriers to 'free trade'. Our government is implementing the GATT treaty even before it has been signed.

Union Carbide charged in Bhopal gas case, but justice long way off

EIGHT years after the Bhopal gas disaster, the transnational Union Carbide has been charged with criminal misconduct, but justice is still a long way off, say Indian legal experts.

A Bhopal city court charged the chairman and eight employees of Union Carbide India Ltd with homicide not amounting to murder, under section 304 (2) of the Indian Penal Code (IPC). They can be jailed for life, if found guilty of causing the world's worst industrial mishap.

The Union Carbide Corporation (UCC), its Hong Kong-based subsidiary, and former UCC chairman Warren Anderson have also been named accused and declared absconders for their refusal to answer earlier summons by the court.

The trial is scheduled to begin in May. Charges of voluntarily causing grievous hurt and of mischief by poisoning and killing animals have also been framed under the IPC.

More than 3,000 people were killed and half a million afflicted by severe ailments after inhaling toxic fumes of methyl isocyanate which leaked from Carbide's pesticide factory in Bhopal on the night of 2 December 1984.

But critics say inept prosecution and slow-moving courts will prolong a decision. 'These are certainly the strongest charges that can be framed under the law. But the way things are going the case will take many more years,' says Prashant Bhushan, a well-known lawyer in India's Supreme Court.

Under ideal conditions the case should now be over within six months, he said.

The fact that it has taken eight and a half years between the first criminal complaint and the framing of charges shows that the Indian legal system has 'failed thoroughly', says Bhushan.

A criminal case was registered at a Bhopal police station on 3 December 1984. Three days later prosecution was handed over to India's Central Bureau of Investigation (CBI). It took the CBI three years to file a charge-sheet in a Bhopal court.

However, in February 1989 the government and UCC reached a settlement exempting the TNC from all criminal liability in return for $470 million as compensation for the victims.

Prosecution was revived after the Supreme Court ruled in October 1991 that the 1989 settlement did not give UCC criminal immunity.

Bhushan says there was ample time between the filing of the CBI charge-sheet in December 1987 and the February settlement but the prosecutors were 'staying their hand under instructions from the government.'

The government then in power was led by ex-Prime Minister Rajiv Gandhi of the Congress party.

In March 1985, the Gandhi-government had enacted the controversial 'Bhopal gas leak disaster (processing of claims) act' which gave it the exclusive right to claim compensation for the victims. More than half a million people are waiting for monetary relief.

While the prosecution is trying to nail the charges by proving negligence on the part of the accused, UCIL's lawyers are arguing only the Bhopal plant staff can be held liable.

In its latest 34-page order, the court said the accused were guilty of negligence in causing the death of more than 3,828 people 'by allowing the highly toxic gas (methyl isocyanate) to escape from the storage tank at the UCIL plant, knowing that it was likely to cause death or grievous hurt,' the reports add.

In his order, Judge Wajahat Ali Shah noted he had information that the Bhopal plant was running at a loss and UCC had directed the Indian subsidiary to dismantle and move to either Indonesia or Brazil.

Preparations for this were underway in November 1984. The judge ruled that under these circumstances, the directors cannot claim to have been disassociated with the Bhopal plant at the time of the disaster, which turned out to be the world's worst industrial accident. – *IPS*

Majority foreign holding in mining soon

James Mathew

NEW DELHI

A proposal allowing majority foreign equity participation in mining companies is being considered by the government following amendment of the Mines and Minerals (Regulations & Development) Act which paved the way for entry of private sector into exploration of 13 minerals, including precious ones.

The foreign equity holding was recently increased from 40 per cent to 50 per cent. The capping, however, did not apply to joint mining projects set up on captive basis for mineral processing units.

Already the Foreign Investment Promotion Board (FIPB) has been given the power to waive the 50-per cent condition in exceptional cases such as proposals envisaging massive foreign investment or use of of advanced technology.

According to official sources, the move follows the realisation that without raising the ceiling on foreign equity holding it would be difficult to attract any additional foreign investments in this sector. The ministry of mining is now hopeful of large-scale foreign investment after the recent changes in the mining Act.

In fact, the sources said, several international mining giants were taking interest in setting up shops in India, particularly for exploration and mining of "precious" metals. While two of them — Australian New Guinea Mining Company and CRA — have already signed up with the state-owned Hindustan Zinc for joint ventures, talks are on between several other multinationals and Indian public and private mining companies for collaboration.

While the New Guinea Mining company is joining hands with the Hindustan Zinc for exploration of gold, the CRA is planning a similar project with the public sector for exploration of base metals such as lead, zinc and copper.

Among the other major foreign mining giants, which are holding talks with leading Indian public as well as private sector mining companies, are Australian BHP and B H Peko and American Cyprus MX. The prospective Indian partners include Hindustan Copper, Kudremukh Iron and Steels, National Mineral Development Corporation (NMDC) and Mineral Exploration Corporation in the public sector and the Tatas and the Goa Iron Ore from the private sector.

Interestingly, however, according to mining ministry sources, foreign firms are more worried about the "processing time" of their proposals, than lifting the equity limit. As a response to this, the ministry has set up an 'international co-operative cell' under the chairmanship of Mr D V Singh, a director in the ministry, to co-ordinate trade queries and proposals from foreign mining firms.

The sources said that foreign mining firms were showing particular interest in exploration and mining of gold and diamond because of lower capital cost and risk element in this segment, compared to huge investments needed for setting up processing facilities in case of other minerals and metals.

Gold mining is also preferred due to the vast market in India for the yellow metal. Against an annual requirement of 250-300 tonne (about 30 million carats) of gold, the country produces a paltry 1.7 tonne (18,000 carats) currently.

Interestingly, the opening up has provided a ray of hope for the sick PSUs in this sector also. □

THE OBSERVER 10-5-94.

Govt to woo pvt sector for wasteland investment

By R Balashankar

NEW DELHI, Nov 24

The Government is planning to secure corporate investment in wasteland development in a big way.

The response of industrial houses to the scheme has been quite encouraging, giving a boost to the plan. About 100 investment proposals are now under the consideration of the Ministry.

Col. Ram Singh, Minister of State for Wasteland Development, has already held about a dozen meetings with the FICCI, PHDCCI and other apex chambers to explain the Government's investment promotional scheme for wasteland development. The barons of industry seem to have shown keen interest and the ball has thus been set rolling.

The Minister disclosed that there was a proposal from Israel to develop the Jojoba plantation in the desertlands of Rajasthan as part of the Government's overall wasteland reclamation plan. This is a plant with its seeds yielding an oily extract used in cosmetics and as a lubricant for automobiles. Since this is a profitable proposition, private sector interest is rated high. Presently, saplings for plantation of jojoba are being imported from Mexico, California and Israel.

Ever since the creation of a separate Ministry for the purpose of reclaiming the huge 100-million hectre wastedland the Government has been desperately trying to woo corporate investment in this area with a number of attractive schemes. The efforts seems to have started yielding results of late with a good number of proposals pending approval with the Ministry of Wasteland Development.

Col. Ram Singh, told *Financial Express* that he was hopeful of getting substantial corporate investment in the area. The Ministry has a whole lot of schemes for the purpose but the one which is essentially meant for corporate finance is the – Investment Promotional Scheme. Under this scheme, the Government would

Using GATT to link trade, environment

VANDANA SHIVA

THE GOVERNMENT is trying to lull Indians into believing that GATT will not undermine the country's interests and sovereignty, and that its multilateralism is essential to counter the North's unilateralism.

On the other hand, the US has made it clear it will continue to use instruments of unilateral trade action and will extend GATT in the fields of environment, labour and human rights.

The threat or recourse to these powers has been used to expand the 'economic and political space' in the world for its transnational corporations (TNCs). In the process, the powers and rights of nation states, particularly of Third World countries, get dismantled and diminished.

The basic thing that the Third World is supposed to gain by GATT is the establishment of a rule-based system where the powerful will undertake and obey the international law, giving up unilateralism and threats of trade sanctions.

But even before the treaty is ratified by participants, the US Administration has asserted its determination and right to continue such sanctions. The bid to link trade and environment through GATT has to be seen in this context.

There are two aspects of trade and environment in GATT. First, the inevitable environmental impact of increased international trade which requires intensive production and distribution of resources. The second aspect relates to the proposals coming from the North to increase GATT powers by including environmental policy on its agenda.

The first aspect requires an ecological audit of GATT and ways to minimise the environmental costs of trade.

The second aspect will allow the increased use of the environment as an excuse for "green protectionism". and as an instrument of unilateralism and "green imperialism". It is the second option that the northern countries are promoting, while leaving the question of the environmental impact of GATT unaddressed.

The Trade Negotiations Committee of GATT has proposed a Trade and Environment Work Programme which says while there should be coordination and environmental policies, this should be done "without exceeding the competence of the multilateral trading system, which is limited to trade policies and these trade-related aspects of environment policies which may result in significant trade effects for its members".

The GATT contracting parties have thus recognised that it is important to ensure that the treaty does not exceed its competence in trade and environmental matters.

However, the industrialised nations and some non-governmental voices from the North are pressing for a GATT/WTO Committee on trade and environment and are already talking of a "green round", which would legitimise protectionism for so called "green" objectives. But the "Green GATT" proposal is not guided by green politics or economics.

Firstly, the countries now demanding the "greening of GATT" are the very forces that pushed into the new areas which have a serious impact on the environment of the Third World. The introduction of agriculture and intellectual property rights into GATT and their removal from sovereign domestic policy making, goes against the diversity of socio-economic conditions, institutional structures and cultural priorities in different countries.

The monocultures and intensive resource use in agricultural production and trade and the uniformity of the IPR regime resulting from GATT will have high social, economic and ecological costs for the Third World.

In their proposals for a "Green GATT", the northern countries are not suggesting ways to reduce the environmental impact of the free trade proposals of GATT. They are merely finding new ways to introduce protectionism under a green guise.

The lack of an environmental commitment of the North is evident in its having put pressure within GATT on the issue of trade in domestically prohibited goods.

This issue has become

important to environmental movements and policy making in the South. as the export of hazardous goods, substances, technologies and wastes to the South (usually without the South's knowledge) is a major mechanism by which environmental damage is taking place in the South.

Since 1989, more than 500 attempts have been made to export toxic wastes from OECD countries to non-OECD countries. OECD members generate 98 per cent of all hazardous wastes. Internalisation of these environmental hazards is an urgent environmental imperative.

These double standards make clear that it is not the environment but protectionism that is real objective in proposals for a green GATT.

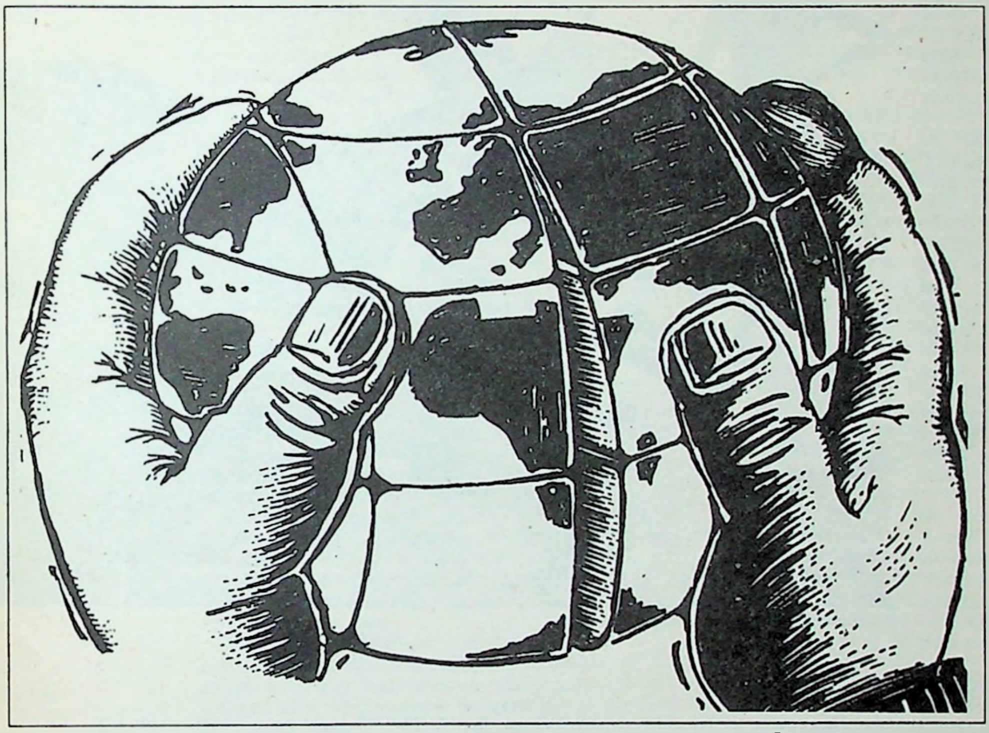
Given the decision-making process in GATT and the current state of the international political and economic power relations, any rules developed in this asymmetric forum would most likely serve to legitimise the use of trade weapons which the North and the powerful can use against the South and the weak. But the South will be unable to use them against the North.

There is thus the danger, if not likelihood, that through particular and narrow definitions of the trade-environment link, the powerful nations will try to shift the economic burden of ecological adjustment to the weaker parties in order to preserve and expand their own unsustainable consumption patterns.

In the present context where the Third World governments have accepted GATT with its associated social and ecological costs, and the North itself is moving into a regime of "managed trade", there are basically two options available to the South.

The first option is to let the North maintain its double standards of open markets in the South and closed doors in the North, and to beg for market access from a defensive, weak and hopeless position.

The second option is to expose the Northern double standards and also move into a "managed trade" paradigm, and retrieve from GATT these aspects of policy that are best left to the domestic domain. These include the environment, agriculture, intellectual property rights, employment etc. The citizens movements clearly reflect this option.



The US has also made no secret of its intention to use the "trade-related" negotiating process to preserve and maintain US military and economic power against the Third World. This is to be achieved through new negotiating agendas to expand the trading system's mandate, forge new norms and trade instruments to hit the production systems of the Third World on two counts: facing unfair competition within their countries and new obstacles in their export markets.

The Southern agenda in resisting this double onslaught is to roll back this concept of "trade-related", and to insist that an international trade organisation should deal with international trade, not with issues that are better left to domestic policy making.

The green agenda for the South can only emerge from reducing the powers of GATT/WTO, not by increasing them. Thus, GATT needs to assure the authority and freedom of governments to regulate natural resource exports through price controls for conservation or community development, and to regulate foreign investment in natural resource sectors and industries.

In agriculture, GATT needs to recognise the right of all nations to establish import controls, when imported commodities are sold at prices below their cost of production, and to establish export controls in order to ensure food security for their peoples. Trade in domestically prohibited goods should be banned. Export of wastes and hazardous products externalises ecological costs.

Regarding IPR, absolute national sovereignty must be recognised. GATT must allow all parties the freedom to ban patenting of plant and animal varieties or biological and microbiological processes for producing plants and animals. It must guarantee the authority of governments to require compulsory licensing for all patents free from the threat of trade sanctions.

It is up to the NGOs in the South, and citizens groups in the North, to ensure that greening of trade is achieved by reducing the powers of GATT and increasing the decision making capacity of local communities, national parliaments and consequently national governments in all areas of trade policy that have a major impact on natural resources.

Democratic decentralisation is a green imperative. Without it, we will have neither sustainability nor justice.

THE PIONEER 31-3-94

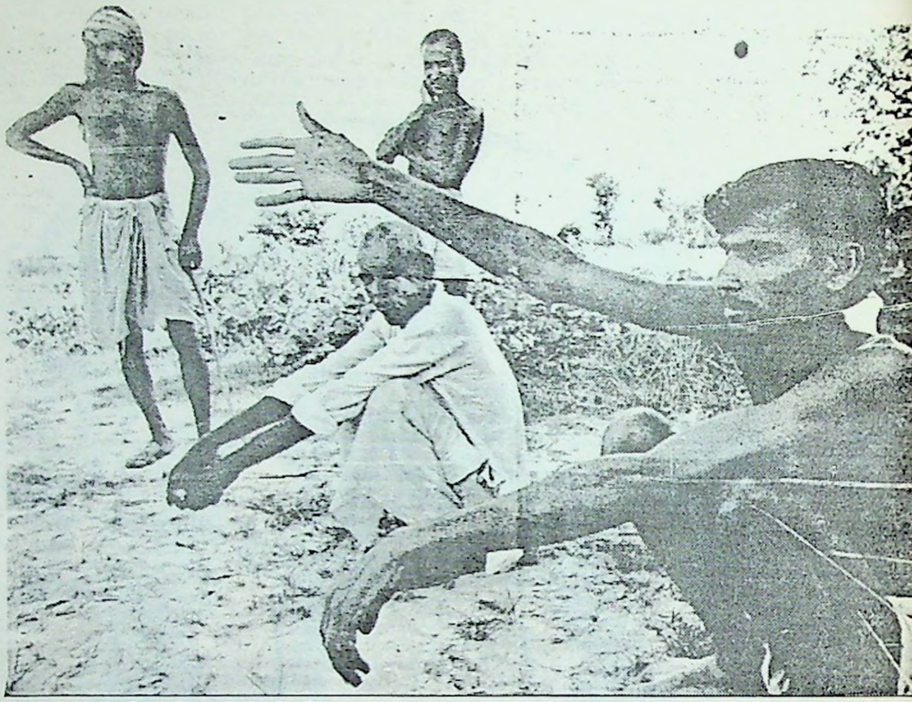
Life is not for patenting

By VANDANA SHIVA

Initially nobody worried about the General Agreement on Tariffs and Trade. It was after all about global trade and hence assumed to be best left to commerce and trade ministry officials. Then rumblings were heard from the pharmaceutical lobby that GATT would destroy our indigenous capacity to produce drugs at reasonable prices. By 1992 the thundering voice of farmers' movements and their "seed *satyagraha*" made it clear GATT would affect our very survival. And esoteric terms like "intellectual property rights" were life and death options for our people.

The environment movement in India, however, is yet to take up GATT and the Dunkel draft as the most significant environmental issue of our times. Since the agreement on "trade related intellectual property rights" also relates to plants, animals and micro-organisms the GATT treaty is in fact a rewriting of our relationship with these species. It is just not a trade treaty. It is also an environmental treaty. Accepting it in its present form amounts to accepting the ethical framework that all species are only for human use and exploitation, and their value is defined by how much some human groups can profit from that exploitation.

It also condemns people and all societies to the abhorrent position of accepting that the living diversity of this planet can be reduced to patented private property. These implications go against all notions of an environmental ethic and should be of concern to all.



Dunkel wants these farmers in the den

Environmentalists have left this fundamental issue to the hands of the bureaucrats of the commerce ministry which has been misleading the people with its reports and statements. The commerce minister, Mr Kamaluddin Ahmed, told the consultative committee of Parliament attached to his ministry that India would not accept GATT-TRIPS if it goes against the country's interests. In contrast, a few weeks earlier the commerce secretary said India will accept GATT as it is and anxiety on IPR issues was misplaced.

The Indian government has been vacillating on the IPR issue ever since the Dunkel draft became a subject of popular debate and farmers started directing action against the patenting of seed and plant material. The government's inputs in the debate have been largely misleading.

Article 27-5-3 (b) of the TRIPS text of the Dunkel draft of GATT refers to the patenting of life. The article states: "Parties may exclude from patentability plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and micro-biological processes. However, parties shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof. This provision shall be reviewed four years after the entry into force of the agreement."

The problem with the TRIPS text is that while it appears to be an agreement about *exclusion* of living organisms from patentability it is in fact on the slippery slope of patenting of life forms that has already been travelled in the United States patent office and courts. It is in any case a tragedy that an issue that is directly related to the ecological and ethical fabric of our society and to the economic options of survival of our people, should be left to the ministry of commerce. GATT-TRIPS is just not about trade. It is also about the ethics of how we relate to other species and what we hold as moral and cultural values of our civilisation. It is about how our biodiversity is used and controlled by local communities who protect it or by corporations which have found new ways to exploit and own it.

In our culture and according to our patent laws life cannot be patented because it cannot be owned and it is not manufactured. GATT will force us to give up our moral values, our economic priorities and our sovereignty. GATT-TRIPS pushes us into making all living organisms property of a handful of corporations.

On first reading it appears the article is about the exclusion of plants and animals from patentability. However, this phrase also exists in US patent laws. The existence of this phrase has however not prevented the US from allowing patents for plants and animals. The problem is that the phrase "plants and animals other than micro-organisms" does not cover *parts* of animals and plants, nor does it include *altered* plants and animals. It therefore allows the patenting of biological organisms.

Further the words "other than micro-organisms" excludes the exclusion of micro-organisms from patentability. It therefore makes patenting of micro-organisms compulsory. Since micro-organisms are living organisms, making their patenting compulsory is the beginning of a journey down what has been called the slippery slope that leads to the patenting of all life.

The best example of this slippery slope can be seen in the recent history of US patent law where the granting of patents to micro-organisms signalled the taking of a first step to granting patents to so called higher life forms.

In 1971 General Electric and one of its employees, Ananda Mohan Chakravarty, applied for a US patent on a genetically engineered pseudomonas bacteria. Taking plasmids from three kinds of bacteria he transplanted them into the fourth. As he explained, "I simply shuffled genes, changing bacteria that already existed".

The application was rejected on the basis that animal life forms were not patentable. The case was appealed in the court of customs and patents appeals office and in the US supreme court nine years later. Mr Chakravarty was granted his patent on the grounds that the micro-organism was not a product of nature, but his invention, and therefore patentable. As Mr Andrew Kimbrell, a leading US lawyer, recounts, "Incoming to its precedent shattering decision, the court seemed unaware that the inventor himself had characterised his 'creation' of the microbe as simply 'shifting' genes, not creating life".

On such slippery grounds the first patent on life was granted and in spite of exclusion of plants and animals in US patent law the US has since then granted patents on all kinds of life forms.

On April 12, 1988, the US patent and trademark office issued the first patent on a living animal. Patent number 4736866 was granted to the Harvard professor, Mr Philip Leder, for the creation of a transgenic mouse containing a variety of genes found in other species, including chickens and humans. The licencing rights for the patent are held by Dupont Company, the great multinational that financed the Harvard research which was responsible for creating the genetically engineered mouse.

Through this Dupont has the patent ownership of any animal species be it mice, rat, cat or chimpanzee whose germlines are engineered to contain a variety of cancer causing genes. Currently over 190 genetically engineered animals — fishes, cows, mice and pigs — are figuratively standing in line to be patented by a variety of researches and corporations. According to Mr Kimbrell, "The (US) supreme court's Chakravarty decision has been extended and continues to be extended up the chain of life. The patenting of microbes has led inexorably to the patenting of plants, and then animals."

It is this inexorable rush for patenting all life forms that will be extended to our country through the openings the GATT-TRIPS in its present draft provides. In an informal dinner with Mr Arthur Dunkel, Indian officials suggested a footnote to article 27-5-3 (b) which states, "It is understood that naturally occurring biological material such as chromosomes, plasmids, DNA/RNA sequences/segments or parts thereof,..are not patentable subject matter".

But as the Chakravarty case illustrates the term "naturally occurring" is ambiguous. All that genetic engineers really do is "shuffle genes around". They do not create life. Therefore literally speaking no life forms should be patentable. However patent offices and courts have interpreted *modification* as *creation*. This allows the ownership of any altered biological materials. It is in fact vacuous in preventing the patenting of biological organisms and materials.

To ensure life is not turned into a patentable commodity, the International Biodiversity and Biotechnology Network, a grouping of independent and eminent scientists, lawyers and activists, has recommended that article 27-5-3 (b) be redrafted to exclude *all* living organisms from patentability. This is an ecological, ethical and economic imperative.

It is time the environmental movement in India also took up the issue of protecting life as an important concern. Our culture and civilisation can help us in this movement to protect the integrity of all life forms and to keep the living diversity of this planet "free" and "wild".

TT 24-8-93.

MADRID DECLARATION

OF

THE ALTERNATIVE FORUM

THE OTHER VOICES OF THE PLANET

For an egalitarian and self-reliant coexistence

at peace with the planet

Madrid, October 1, 1994

Summary

Preamble

50 years of Bretton Woods:

From structural adjustment to economic genocide

1. **The IMF-world bank policies contribute to global poverty, environmental destruction and civil war**
2. **Autonomy and freedom for all women**
3. **End the market economy growth**
4. **Protect peoples and communities from economic and financial globalisation**
5. **Face the worldwide ecological crisis using autonomy and local responsibility**
6. **Cancel foreign debt**
7. **Rethink international aid**
8. **Abolish the international economic institutions**

We, men and women from all over the world, have come here to defend an equitable and autonomous coexistence at peace with the planet, and we want to declare our firm conviction that it is necessary to construct a different language and reality. We already know some words. We know that by naming this Forum "The other Voices of the planet" we are saying that hundreds of thousands of men and women living on this earth have chosen to speak up. We know that when we speak the names of men and women of the world, we bear in mind the demand for a system of freedom which allows both genders to know each other. We know that every time we speak about self-sufficiency, equity, or self-reliant communities, we are defending the possibility to live, of being just and happy. And every time we point to the right to cultural diversity, we proclaim our trust in the wisdom of all men and women who have chosen to watch, to listen and to wonder, encouraged by their respect for the earth surrounding them. From here and now, we declare our willingness to prevent this wisdom from being destroyed, so that it might be, on the contrary, the ground for any action. There is a world to come, a world that we name with other words. We are not willing to leave to anybody the responsibility of these words being thought. That is why we have spoken at this Alternative Forum, and today we have a few proposals to make. That is why we will unmask the old discourse of exploitation and greed, and we will fight it.

50 YEARS OF BRETTON WOODS:

FROM STRUCTURAL ADJUSTMENT TO ECONOMIC GENOCIDE

1. THE IMF-WORLD BANK POLICIES CONTRIBUTE TO GLOBAL POVERTY, ENVIRONMENTAL DESTRUCTION AND CIVIL WAR

There is little to rejoice as the international community commemorates the fiftieth anniversary of the Bretton Woods agreement which led to the founding of the International Monetary Fund (IMF), the World Bank and the GATT. The "structural adjustment programme" imposed by the Bretton Woods institutions has led to famine and the brutal impoverishment of the developing World while contributing to the "third worldisation" of the countries of the former Eastern block.

Contrary to the spirit of the Bretton Wood Agreement which was predicated on "economic reconstruction" and the stability of major exchange rates, the "structural adjustment programme" has largely contributed to destabilising national economies, ruining the environment and destroying civil society. In this context, the Bretton Woods institutions are also responsible for distorting the root causes of the economic crisis as well as the falsification of social and economic indicators.

While the World Bank's mandate consists in "combating poverty" and protecting the environment:, its actions have contributed to the dismantling of health and education programmes. Its support to large-scale hydroelectric and agro-industrial projects has sped up the process of deforestation and destruction of the natural environment, leading to the forced displacement and eviction of several million people. In the South and the East, hundreds of millions of undernourished children are denied the fundamental right to primary education. In several regions of the world, the brutal compression of social expenditures combined with the collapse of purchasing power, has led to a resurgence of infectious diseases including tuberculosis, malaria and cholera. The recent outbreak of bubonic and pneumonic plague in India as the direct consequence of a worsening urban sanitation and public health infrastructure which accompanied the compression of national and municipal budgets under the 1991 IMF-World Bank sponsored "structural adjustment programme".

Trade liberalization imposed under World Bank loan agreements has been conducive to the destruction of domestic agriculture and manufacturing. In Sub-Saharan Africa, famines have erupted as a result of the disintegration of the entire agricultural system: earnings from cash crops for export have fallen below the farmers costs of production as a result of periodic devaluations and plummeting world commodity prices. Concurrently, food production for the domestic market is destroyed as a result of the dumping of subsidised food surpluses by the European Union and North America.

The destruction of all forms of economic livelihood (based on both internal and external markets) combined with the dismantling of public services and the freeze on public investment (under the World Bank's "Public Investment Programme") create conditions favourable to the outbreak of civil strife ethnic conflicts and the criminalization of economic activity.

In Rwanda, the deterioration of the economic environment following the collapse of the international coffee market in 1987-89 and the imposition of sweeping macro-economic reforms by the Bretton Woods institutions served to exacerbate simmering ethnic tensions and accelerate the process of political collapse.

In Somalia, the IMF-World Bank programme was conducive to the demise of thee livestock export economy while also contributing to the destruction of small famers through the influx of US grain surpluses into local markets.

Throughout Asia and Latin America, World Bank programmes since the "Green Revolution" have contributed to the destruction of bio-diversity and the encroachment of farmers' rights. The World Bank's recent attempt to take over all seed collections in the international gene banks further derogate farmers' rights.

Moreover, the recent GATT agreement signed at Marrakesh further violates fundamental peoples' rights, particularly in the areas of bio-diversity and intellectual property rights. Several clauses of the "structural adjustment programme" are now permanently entrenched in the articles of the new World Trade Organization (WTO). The WTO's mandate consists in regulating world trade to the benefit of the international banks and transnational corporations as well as "supervising" (in close collaboration with the IMF and the World Bank) the enforcement of national trade policies.

In the developed countries of the North, similar socially oppressive economic policies are now being applied by national governments. The consequences are unemployment, low wages, and the marginalization of large sectors of the population. Social expenditures are curtailed and many of the achievements of the Welfare State are repealed. State policies have also encouraged the destruction of small and medium sized enterprises.

In the South, the East and the North, a privileged social minority has accumulated vast amounts of wealth at the expense of the large majority of the population. This new international financial order feeds on human poverty and the destruction of the natural environment. It generates social apartheid, encourages racism and ethnic strife, undermines the rights of women and often precipitates countries into destructive confrontations between nationalities.

The Madrid Declaration of citizens' groups and non-governmental organizations forcefully denounces the policies of economic genocide implemented by the IMF and the World Bank. The participating organizations of the Madrid Forum reassert the rights of people to livelihood, national economic sovereignty, sustainable and democratic development and social justice.

The Madrid Forum denounces this destructive "economic model" and calls for the cancellation of all debts. It also calls for an end to the interference of the Bretton Woods Institutions in the internal affairs of sovereign countries.

The Madrid Forum also calls upon national parliaments and people's organizations around the world to oppose in the months ahead the ratification of the GATT agreement and the proposed establishment of the World Trade Organization.

FOR AN EGALITARIAN AND SELF-RELIANT COEXISTENCE

AT PEACE WITH THE PLANET

2. AUTONOMY AND FREEDOM FOR WOMEN

The concept of economic progress even more so the global dominant occidental vision of "economy" is based on the hierarchization of the processes of production and reproduction. This vision of the economy conceals the conditions and the quantity of work that women must undertake in order to ensure their survival and that of their families, which is mainly their responsibility. This contributes to the devaluation of the social and financial compensation received by working women, who are expected to simultaneously tend to both productive and reproductive tasks.

The recent economic cycle, its crisis and subsequent processes of restructuring, have exposed the extreme vulnerability of women. In the all societies, but principally in the most destitute ones, the feminization of poverty is already in evidence.

Trade regulated by GATT and Structural Adjustment Policies are meaning to reduce food resources, increase dependency on transnational companies, and cut social spending in health and education. Women are the primary victims of these policies. They are prevented from gaining access to property and financial systems. It is even worse for those displaced through the impact of the World Bank megaprojects. Millions have been forced to migrate to cities or to other countries, where they struggle to survive, having to accept the most marginalized jobs. There are attempts to resolve the problem of limited global resources by imposing population control at the cost of the reproduction rights of each and every woman.

The combination of responsibility for the family and social and economical subordination is supported through social, cultural and ideological structures, and through many forms of violence (sexual, corporal, reproductive...). But meanwhile, the international discourse on individual human rights continues to ignore these issues or dares not to expose them due to a systematic manipulation of the right to cultural specificity brandished by many religious and political elites to perpetuate their power.

The World Bank and IMF employ policies that appeal to the rights of women and that they take their part in "progress" maintaining and strengthening the framework of existing inequality. Economic and social policies should eliminate the inequalities that serve as pretext for many of the ruling elites to maintain the dominant patriarchal structures.

Consequently, to overcome the present inequality we must achieve an equitative and autonomous co-existence. This is a pre-condition. The international solidarity organizations must make this their main objective, supporting women in every cultural aspect in their struggle for freedom and autonomy.

3. END THE MARKET ECONOMY GROWTH

The unlimited growth of the monetary economy, the continued expansion of consumption on the part of the privileged from all over the world, and the continuation of neo-colonial exploitation are the main causes of the worsening in the rift between peoples and social classes, of growing poverty, and in the deterioration of the natural resources. The possibility to achieve, through technological advancement and economic restructuring, a new model of unlimited growth of the monetary economy, socially equitable without eroding the basis of natural resources, is but a myth without empirical evidence, and refuted by experience. This being the only way to overcome poverty, solve the problem of labour, and prevent the destruction of Nature is a proven falsehood. These types of false alternatives, usually proposed by the World Bank and the International Monetary Fund, only benefit the powerful, and the privileged sectors that are defended and represented by both institutions.

Hence, as a starting point to overcome social, environmental and economic imbalances, the growth of the monetary economy must be stopped. In order to overcome poverty and marginalization, it is necessary to redistribute present wealth, intensify social resistance to the commodification of people's lives, and implement fair, solidary and respectful alternatives in relation to Nature.

4. PROTECT PEOPLES AND COMMUNITIES FROM ECONOMIC AND FINANCIAL GLOBALIZATION

The "globalization of the economy" is the current stage of a centuries-old expansion process of the capitalist system. It implies the commodification of people's productive and creative capacities and their natural and socio-cultural resources, at a higher rate than ever before. This facilitates their connection with the global economic spheres, which are dominated by transnational corporations and the international financial system. Economic globalization results in cultural devastation and leads, sooner or later, to worsening living conditions. The process of globalization is unsustainable from an ecological point of view, as it causes an exponential growth in transport and the consumption of non-renewable energies. The demands of world market competitiveness force the non-sustainable use of natural resources, displacing traditional uses, which have been adapted to local natural conditions.

The internationalization of the financial system is closely linked to that process of globalization. After the processes of liberalization and deregulation, and the massive incorporation of technological resources, it is the financial system that have now become a giant instrument to globally manipulate savings, prices, currencies, and the wealth of the world's peoples, in favour of a few privileged. The wide majority of financial transactions have become merely speculative, with no links whatsoever to physical, productive or territorial values. Actions considered as illegal and liable for prosecution are undertaken on a large scale, and with total impunity. Meanwhile, there is a proliferation of tax havens and shelters for every kind of financial flow, camouflaged by so-called "banking secrecy". The ideological, political and technical intervention of the Bretton Woods Institutions— created to guarantee international financial stability—has been determinant in achieving this chaotic situation, in which the risk of a worldwide financial catastrophe, with unpredictable results for international peace, becomes more and more evident every day.

An unfair system of international trade is still growing, controlled by transnational companies and the governments of Northern countries and organized for the exclusive benefit of the privileged classes of the whole world. International trade is no longer a means to address real needs that can not be met locally. Rather, it has become a big business, exchanging more and more superfluous goods from the Northern countries for less and less goods needed by the Southern countries. This is the result of the GATT policies. The World Trade Organization seeks to extend these policies to areas that are of great social and cultural importance, such as intellectual property and genetic resources. Fair trade, which is aimed at the preservation of the socio-cultural and ecological balances of those communities involved, can only be developed amongst nations with similar productive and technological skills, or amongst groups and communities living in solidarity.

As a consequence, to insure the survival and facilitate the recovery of self-dependent structures, based on self-sufficiency and proximity, the process of globalization of the capitalist economy must be stopped.

New ways of social control upon the international flows of capital must be imposed. They are; a compulsory linking of financial transfers and the exchange of goods or services, the closing of "tax havens", the elimination of banking secrecy and the international prosecution of fraud, and monetary and financial offences. International trade must be included in a new institutional frame which does not regard the growth in trade as a goal in itself. It should favour trade amongst Southern nations, and allow peoples to freely protect their resources, their lifestyles and their cultural identity, without being exposed to pressure nor retaliation. Peoples from all over the world must mobilize to prevent the ratification of the World Trade Organization.

5. FACE THE WORLDWIDE ECOLOGICAL CRISIS WITH AUTONOMY AND LOCAL RESPONSIBILITY.

Global ecology cannot be uncoupled from local ecological problems. The global administration of the ecological crisis, as established at the Rio Summit, is unable to solve environmental problems. This has led to the gradual set-up of worldwide "ecocracy" that manages natural resources in the name of economic globalization by reproducing and aggravating ecological conflicts. The Bretton Woods Institutions, and especially the World Bank, have become the main defenders of these destructive environmental policy and at the same time claiming for themselves the lead role in it's management. Thus, the economical globalization and the ecological globalization stand out as two inseparable sides of the new shape of the capitalist system. The latter intends to adapt itself to a serious deterioration of the natural conditions of production at the local and global levels. Should this model of ecological and economical control and management, coordinated from above, be imposed, we shall witness immense destruction of Nature, and an even greater deterioration of the living conditions for the weakest communities and social groups of the world.

Consequently, it is necessary to oppose this process. The communities and peoples of the world in their full capacity must decide for themselves on the responsible use of their natural resources. The administration of ecological problems must be taken away from a technocratic framework and restored to a political one, from which it should have never been taken away. Those problems, which go beyond the local level, must be address bottom up, through the collaboration and consent of the affected communities, in an open and democratic forum.

6. CANCEL THE FOREIGN DEBT

Without a definitive solution to the foreign debt problem, there is no possibility of achieving fairer international relations. The immediate cancellation of the so-called "Southern countries debt" is the indispensable first step in moving towards a solution. A great deal of the loans, which make up the foreign debt were acquired under doubtful political legitimacy of the lending institutions and borrower governments. Huge somes have already been paid back as a consequence of the debt that governments acquired from the financial institutions of the rich countries, through payment of interests, repayment of principal, capital flight, and in the terms and conditions of purchase of Northern products. Many analysts estimate that capital and interest payment overexceed the amount of the outstanding debt. Northern countries have a debt still to be paid to Southern countries, due to the continued supply of raw materials by the latter at cheap prices - which have been downpriced by Northern corporations. On the whole, the available facts suggest that what really exists is a giant economic debt from North to South, aside from other social and ecological debts. The unconditional cancellation of the whole foreign debt with equal treatment for all categories of debt is an urgent first essential step in achieving equitable international relationships.

7. RETHINK INTERNATIONAL AID

Given the seriousness of social, economic and ecological imbalances accumulated in the last decades all over the world, solidarity today is more necessary than ever. Official aid has contributed, in many ways, in aggravating the problem instead of solving it. Many companies from rich countries have been able to make big business deals and to receive large camouflaged funds under the guise of aid, with active support of their governments. Regularly despicable operations, like arms supply and even advisory or direst collaboration with political and social repression have often been presented as aid. Aid is often lost, on both sides, through labyrinth-like corruption and incompetence. The debt burden has increased to the detriment: of the most vulnerable groups, such as minorities, indigenous communities, women and children. The Bretton Wood Institutions, and particularly the World Bank, have failed in their projected objectives of reducing poverty. They are only able to articulate top-down aid and cooperation programmes which ignore the voices and the needs of local groups.

The Alternative Forum "The Other Voices of the Planet" urges the necessity of deeply revising not only in conjunction with intervention, which is undertaken within the framework of official aid, but also the whole concept of "Aid". The Forum urges the organizations targeting these problems to study them in depth and develop alternatives. They should stress autonomy, focus on avoiding dependency and preventing the effects of adjustment policies from being concealed, and self-management by the communities concerned. Aid cannot be an opportunity for business deals for donor countries or institutions.

8. FOR THE ABOLISHMENT OF INTERNATIONAL ECONOMIC INSTITUTIONS

For a growing number of people all over the world, the social, cultural, and ecological aspects must again take priority over the economic one. For them, the Bretton Woods Institutions—and their twin partner GATT/WTO— are definitely outdated. The internal structure of the WB and the IMF, in which decision-making power is proportional to the money contributions by each member country, is a paradigm of capitalist ideology, that gives priority to economic variable over human, social and ecological values. The consequences of their interventions can be summarized in the ecological, social and political crisis prevailing in many parts of the world. This crisis is dominated by increasing inequality and poverty. Nothing else can be expected from such bureaucratic systems which are not subjected to any kind of democratic control.

It is now time to put an end to the existence of these types of institutions. The only thing that now needs to be discussed is the schedule and social control in dismantling the Bretton Woods Institutions. This process must be initiated with the immediate reduction in their funding. It is urgent to refuse every demand to enlarge IDA-11. These programs currently administered by the World Bank group, must be put under the immediate control of other institutions, to facilitate a rapid reorientation of their management.

In the threshold of the turn of century, the distressing history of the Bretton Woods Institutions should merely be an unpleasant memory, a lesson not to be forgotten in the future.

Third World Network
(India)

Dossier on
Trade liberalisation in India

The Third World Network, a grouping of organisations and individuals involved in Third World issues, has been monitoring the impact of trade liberalisation through World Bank / IMF structural adjustment programmes and the General Agreement on Tariffs and Trade (GATT) in Latin America, Africa and Asia.

The Third World Network (India) has now prepared its second dossier on the social, economic and ecological impact of these policies in India covering diverse aspects:

1. *Impact of Trade Liberalisation Policies in India: An Overview*
2. *Impact on Employment*
3. *Impact on Agriculture, Food Security and Nutrition*
4. *Impact on the Environment*
5. *Madrid Declaration of the Alternative Forum: For an Egalitarian and Self-Reliant Coexistence at Peace with the Planet*

The dossier is an indispensable aid to citizens, movements, policy makers, NGOs concerned about the rapid pace at which major economic decisions are being made without democratic participation.

The dossier expresses its thanks to all the newspapers and journals from where the news and articles included here are taken.