

Main Identity

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Sent: Thursday, August 07, 2003 11:44 AM  
Subject: Fw: [anitaandedwin] Amartya Sen speaks on globalisation [edited; long]

----- Original Message -----

From: anita cheria and/or edwin <tannucheria@yahoo.co.uk>  
To: important <anitaandedwin@yahoo.com>  
Sent: Monday, July 28, 2003 3:47 PM  
Subject: [anitaandedwin] Amartya Sen speaks on globalisation [edited; long]

> A cognitive failure can arise both from unreasoned optimism and from  
> groundless pessimism, and oddly enough, the two can sometimes unite.  
> To begin with the former, the obturate optimist tends to hope, if only  
> implicitly, that thing will get better soon enough. The combination of  
> processes, such as the flourishing market economy, that has led to the  
> prosperity of some in the world will presently lead to similar prosperity  
> for all. In this glowing perspective, the doubters tend to appear to be  
> soft  
> in head, whether or not they are kind in heart. "Give us time - don't be  
> so  
> impatient," asserts the voice of contented optimist.  
>  
> On the other side, the stubborn pessimists acknowledge - indeed  
> emphasize -  
> the continuing misery in the world. But they are, frequently enough, also  
> pessimistic about our ability to change the world significantly. "We  
> should  
> change things if we can, but to be realistic, we really cannot," goes that  
> argument. Pessimism can - and often does - lead to a quiet acceptance of a  
> great many ills.  
>  
> There is, thus, a partial but effective congruence between the stubborn  
> optimist and the incorrigible pessimist. The optimist finds resistance  
> unnecessary whereas the pessimist finds it to be useless. As James Branch  
> Cabell put it (reacting to a very different manifestation of this  
> conundrum), "The optimist proclaims that we live in the best of all  
> possible  
> worlds; and the pessimist fears this is true."  
>  
> Ethics can be killed by premature resignation. It is in this general  
> context  
> that we have to view the doubts about  
> globalization ...  
>  
> The Nature of Globalization  
>  
> The protest movements can, thus, be seen as expressing creative doubts.  
But

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- > doubts about what? There is, I would argue, a serious interpretational issue
- > here. The protesters often describe themselves as "anti-globalization"? Is
- > globalization a new folly? And are the protesters really against
- > globalization, as their rhetoric suggests? Is globalization a new folly? I
- > would argue that globalization is neither especially new, nor in general,
- a
- > folly.
- >
- > A historical understanding of the nature of globalization can be quite
- > useful here. Over thousands of years, globalization has contributed to the
- > progress of the world, through travel, trade, migration, spread of
- cultural
- > influences, and dissemination of knowledge and understanding (including of
- > science and technology). To have stopped globalization would have done
- > irreparable harm to the progress of humanity.
- >
- > Around 1000 A.D., global spread of science, technology and mathematics was
- > changing the nature of the old world, but the dissemination then was, to a
- > great extent, in the opposite direction to what we see today. For example,
- > the high technology in the world of 1000 A.D. included paper and printing,
- > the crossbow and gunpowder, the clock and the iron chain suspension
- bridge,
- > the kite and the magnetic compass, the wheel barrow and the rotary fan.
- Each
- > one of these examples of high technology of the world a millennium ago was
- > well-established and extensively used in China, and was practically
- unknown
- > elsewhere. Globalization spread them across the world, including Europe.
- >
- > A similar movement occurred in the Eastern influence on Western
- mathematics.
- > The decimal system emerged and became well developed in India between the
- > second and the sixth century, and was used extensively also by Arab
- > mathematicians soon thereafter. These mathematical innovations reached
- > Europe mainly in the last quarter of the tenth century, and began having
- its
- > major impact in the early years of the last millennium, playing a major
- part
- > in the scientific revolution that helped to transform Europe. Indeed,
- Europe
- > would have been a lot poorer - economically, culturally and
- scientifically -
- > had it resisted the globalization of mathematics, science and technology
- at
- > that time. And the same applies - though in the reverse
- > direction - today. To reject globalization of science and technology on
- the
- > ground that this is Western influence would not only amount to overlooking
- > global contributions - drawn from many different parts of the world - that
- > lie solidly behind so-called Western science and technology, but would
- also
- > be quite a daft practical decision, given the extent to which the whole

- > world stands to benefit from the process.
- >
- > To identify this phenomenon with the "Western imperialism" of ideas, ....
- > but it would be a great mistake to see globalization primarily as a feature
- > of imperialism. It is much bigger - much greater - than that.
- >
- > The Well frog and the Global World
- >
- > The polar opposite of globalization would be persistent separatism and
- > relentless autarky. It is interesting here to recollect an image of
- > seclusion that was invoked with much anxiety in many old Sanskrit texts in
- > India, beginning from about two and a half thousand years ago. This is the
- > story of a well-frog - the kupamanduka - which lives its whole life within
- > a
- > well and is suspicious of everything outside it. Beginning from about 500
- > B.C., there are at least four Sanskrit texts, Ganapath,
- > Hitopadesh, Prasannaraghava, and Bhatikavya, that warn us not to be
- > well-frogs.
- >
- > The well-frog does, of course have a "world view," but it is a world view
- > that is entirely confined to that little well. The scientific, cultural
- > and
- > economic history of the world would have been very limited had we lived
- > like
- > well-frogs. This remains an important issue, since there are plenty of
- > well-frogs around today - and also, of course, many solicitors and
- > advocates
- > of well-frogs.
- >
- > The importance of global contact and interaction applies to economic
- > relations among others. Indeed, there is much evidence that the global
- > economy has brought prosperity to many different areas on the globe.
- > Pervasive poverty and "nasty, brutish and short" lives dominated the world
- > a
- > few centuries ago, with only a few pockets of rare affluence. In
- > overcoming
- > that penury, modern technology, as well as economic interrelations, has
- > been
- > influential. And they continue to remain important
- > today. The economic predicament of the poor across the world cannot be
- > reversed by withholding from them the great advantages of contemporary
- > technology, the well-established efficiency of international trade and
- > exchange, and the social as well as economic merits of living in open
- > rather
- > than closed societies
- >
- > Rather, the main issue is how to make good use of the remarkable benefits
- > of
- > economic intercourse and technological progress in a way that pays
- > adequate
- > attention to the interests of the deprived and the underdog. That is, I
- > would argue, the principal question that emerges from the

- > movements. It is, constitutively, not a question about globalization at all,
- > and the linkage with globalization is only instrumental and contingent.
- >
- > What then is the main point of contention? The principal challenge, I would
- > submit, relates, in one way or another, to inequality - international as well as intranational. The inequalities that irk concern disparities in
- > affluence, and also gross asymmetries in political, social and economic
- > power. The issue of inequality relates centrally to the disputes over
- > globalization. A crucial question concerns the sharing of the potential
- > gains from globalization, between rich and poor countries, and between
- > different groups within a country.
- >
- > Distributional questions are far more complex and far-reaching than the
- > recognition that they typically get in the usual advocacy of globalization
- > and the championing of high rates of economic growth. Consider the on-going
- > debate on the role of economic growth in removing poverty, which if often
- > fought over very a narrow ground.
- >
- > It is obvious enough that economic growth can be extremely helpful in
- > removing poverty. This is so both because the poor can directly share in the
- > increased wealth and income generated by economic growth, and also because
- > the overall increase in national prosperity can help in the financing of
- > public services (including health care and education), which in turn can be
- > particularly useful for the poor and the deprived.
- >
- > And yet the removal of poverty and deprivation cannot be seen to be an
- > automatic result of economic growth. The basic problem concerns not merely
- > the obvious point that it must make a difference how the new incomes
- > generated are distributed among the different classes.
- >
- >
- > But more fundamentally, we have to recognise that deprivation with which we
- > have reasons to be concerned is not just the absolute lowness of income,
- > but
- > different but interrelated "unfreedoms," including the prevalence of
- > preventable illness, needless hunger, premature mortality, unceasing
- > illiteracy, social exclusion, economic insecurity, and the denial of
- > political liberty. The income going to the poor is only one determining
- > influence among many others in dealing with deprivation
- >
- >
- > Institutional Bases of Participation and Security
- >
- > A second issue concerns the process through which income is earned as
- > economic growth occurs. The ability of the poor to participate in economic
- > growth depends on a variety of enabling social conditions. It is hard to

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#### > Institutional Bases of Participation and Security

>

- > A second issue concerns the process through which income is earned as
- > economic growth occurs. The ability of the poor to participate in economic
- > growth depends on a variety of enabling social conditions. It is hard to
- > participate in the expansionary process of the market mechanism
- (especially
- > in a world of globalized trade) if one is illiterate and uneducated, or if
- > one is bothered by undernourishment and ill health, or if artificial
- > barriers such as discrimination related to race or gender or social
- > background, exclude substantial parts of humanity from fair economic
- > participation.

>

>

- > Similarly, if one has no capital (not even a tiny plot of land in the
- > absence of land reform), and no access to microcredit (without the
- security

- > of collateral ownership), it is not easy for a person to show much
- economic
- > enterprise in the market economy.

>

>

- > The benefits of the market economy can indeed be momentous, as the
- champions
- > of the market system rightly argue. But then the non-market arrangements
- for

- > the sharing of education, epidemiology, land reform, micro-credit
- > facilities, appropriate legal protections, women's rights and other means
- of
- > empowerment must also be seen to be important - even as ways of spreading
- > access to the market economy (issues in which many market advocates take
- > astonishingly little interest).

>

>

- > Indeed, many advocates of the market economy don't seem to take the market
- > sufficiently seriously.....Institutional broadening needed for efficient
- > access to the market economy is no less important for the success of the
- > market
- > economy than the removal of barriers to trade.

>

- > A third issue concerns the recognition that the fruits of economic growth
- > may not automatically expand the important social services: there is an

the

- > social and political level about the uses to which the newly generated
- > resources can be put. The route of "growth-mediated" advancement may be full
- > of promise and favourable prospects for living conditions and freedoms of
- > human beings, but
- > political and social steps have to be taken to realise that promise, and
- to
- > secure those prospects
- >
- > For example, South Korea did much better than, say, Brazil (which too grew
- > very fast for many decades) in channelling resources to education and
- health
- > care, and this greatly helped South Korea to achieve participatory
- economic
- > growth and to raise the quality of life of its people.
- >
- > On the other hand, South Korea, too, continued to neglect arrangements for
- > social security and for safety nets needed to prevent destitution, thereby
- > remaining vulnerable to downside risks. It had to pay heavily, as a result
- > of this lapse, when the Asian economic crisis of 1997 came. This was also
- > the time when the voice that democracy gives to the poor was most missed,
- > and democracy became a major political cause in South Korea.
- > We need provisions for "downturn with security" as well as "growth with
- > equity," and also have to recognise the need for democracy for the
- provision
- > of political incentives (in addition to the intrinsic importance of
- > democratic rights). The market economy may be highly productive, but it
- > cannot substitute for other important institutions.
- >
- > International Asymmetries and Institutions
- >
- > Development of appropriate non-market institutions is important also for
- > tackling inequalities between nations. The need for a global commitment to
- > democracy and to participatory governance can hardly be overstressed.
- > Contrary to an often repeated claim, there is no basic conflict between
- > promoting economic growth and supporting democracies and social rights,
- and
- > in fact democratic freedoms and social opportunities can contribute
- > substantially to economic development
- >
- > However, as George Soros has pointed out, international business concerns
- > often have a strong preference for working in orderly and highly organized
- > autocracies rather than in activist and less regimented democracies, and
- > this can be a regressive influence on equitable development
- > Further, multinational firms can also exert their influence on the
- > priorities of public expenditure in less secure third-world countries in
- the
- > direction of giving preference to the safety and convenience of the

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- > managerial classes and of privileged workers over the removal of
- widespread
- > illiteracy, medical deprivation and other adversities of the underdogs of
- society.
- >
- > These asymmetries, of course, impose any insurmountable barrier

- > development, but it is important that the surmountable barriers be  
 diagnosed
- > and actually be surmounted
- >
- > Aside from the impact of asymmetries in global economic power, the  
 > distribution of the benefits of international interactions depends also on  
 a
- > variety of global social arrangements, including trade agreements, patent  
 > laws, medical initiatives, educational exchanges, facilities for  
 > technological dissemination, ecological and environmental restraints, and  
 > fair treatment of accumulated debts (often incurred by irresponsible  
 > military rulers of the past who were in many cases encouraged by one side  
 or
- > the other in the Cold War which was particularly active over Africa).
- > These issues urgently need global attention. So does the issue of the  
 > management of conflicts, local wars and global spending on armament (often  
 > encouraged by arms-selling rich countries). For example, as the Human  
 > Development Report 1994 of the United Nations Development Programme  
 pointed
- > out, not only were the top five arms-exporting countries in the world  
 > precisely the five permanent members of the Security Council of the United  
 > Nations, but also they were, together, responsible for 86 per cent of all  
 > the conventional weapons exported during the period studied. It is not  
 > difficult to understand why the Security Council has done so little to  
 curb
- > and restrain the merchants of death.

#### > Ethical Challenges and the Future Confrontations

- >
- > As it happens, the international economic, financial and political  
 > architecture of the world, which we have inherited from the past  
 (including
- > institutions such as the World Bank, the I.M.F., and other institutions),  
 > was largely set up in the 1940s, following the Bretton Woods Conference in  
 > 1944. The main challenge at that time was to respond to what were then  
 seen
- > as the big problems of the post war world.
- >
- > In the middle 1940s, the bulk of Asia and Africa was still under  
 imperialist
- > dominance of one kind or another, and was hardly in a position to  
 challenge
- > the institutional divisions of power and authority that the allied powers

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- > imposed on the world. Tolerance of economic insecurity and of poverty was  
 > much greater then than it is today: the idea of human rights was still  
 very
- > weak: the power of NGOs had not emerged yet; and democracy was definitely  
 > not seen as a global entitlement
- >
- > The world is a very different place now from what it was then. The force  
 of
- > global protests partly reflects a new mood and a fresh inclination to  
 > challenge the world establishment, and it is, to a great extent, the  
 global

- > environment of the within-nation protests associated with labour movements
- > and political radicalism.
- >
- > Indeed, the recent outbursts of global doubts have something in common with
  - > the spirit of an old American song - a defiant verse traced to the great
  - > Leadbelly:
  - > In the home of the brave, land of the free,
  - > I will not be put down by no bourgeois.
  - >
  - > In fact, of course, radicalism was not really as powerful in America then as
  - > the song suggests, but the determined spirit which it reflected contributed,
  - > over time, to many practical changes, and even ultimately to the power of
  - > organized labour about which so many industrialists complain so much today.
  - > To some extent, there is a parallel here with global protest movements: they
  - > are not particularly powerful yet in organizational terms, but they are, to
  - > a great extent, an intimation of things to come. Since the questions they
  - > raise are real, adequate answers have to be sought, no matter how
  - > unpolished, crude and breathless the protesters may look to the world
  - > establishment.
  - >
  - > There is a need for change. The world of Bretton Woods is definitely not the
  - > world of today, and there is a strong case for far-reaching re-examination
  - > of the institutional structure of the international world. Indeed, I do not
  - > believe that the constructive possibilities of protest movements can be
  - > harnessed, nor their destructive presence removed, without some kind of a
  - > clearly characterized institutional response.
  - >
  - > To some extent, this has begun to occur in the form of changing priorities
  - > within international institutions. For example, even though the removal of
  - > poverty and deprivation was not the major object of the Bretton Woods
  - > resolutions, it has now become, at least formally, the acknowledged

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- > principal goal of the World Bank.
- >
- > There is more rethinking on the burden of debts of poor countries, and also
- > on the older IMF-World Bank practice of imposing grossly formulated
- > "structural reforms" on poor countries often with damaging consequences on
- > social infrastructure. These are good directions for change, but much more
- > will be needed, especially in terms of institutional construction (for
- > example, through setting up dedicated agencies to deal with global equity
- > and the environment)
- >
- > While welcoming what is happening already in the established institutional
- > structure (such as the World Bank), there has to be a clearer recognition of
- > the need for a larger departure from the international architecture
- > inherited from the Bretton Woods.



- > The United Nations, including the Secretary-General's Office, can play a
- > much bigger part in forcing attention on these broader institutional, as
- > well as policy, concerns, particularly if the U.N. is liberated from the
- > penury in which it has been typically kept by inadequate financial
- > provisions and by the refusal of some member countries to pay their dues
- > These issues need urgent attention, and doubts provide a better starting
- > point than complacency.
- >
- > Concluding Remarks
- >
- > To conclude, there is a compelling need in the contemporary world to ask
- > questions not only about the economics and politics of globalization, but
- > also about the values and ethics that shape our conception of the global
- > world. It is particularly important not to be overwhelmed by the mixture
- > of
- > obscure optimism and senseless pessimism that leads to global resignation
- > and complacent acquiescence.
- >
- > We have to think not only about the moral commitments of a global ethics,
- > but also about the practical need for extending the institutional
- > provisions
- > in the world, and also of expanding enabling social institution within
- > each
- > country. It is particularly important to take note of the complementarity
- > between different institutions, including the market, but also democratic
- > systems, social opportunities, political liberties, and other
- > institutional
- > features - old and new.
- >
- > And newer institutional departures will be needed both to address the
- > substantive issues raised by global doubts, and to halt the cycle of
- > non-communication in which the protest movements have increasingly tended
- > to

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- > confine themselves.
- >
- > The global protests of activists across the world can indeed play an
- > importantly constructive role. However, in order for that to happen, we
- > have
- > to assess these movements and challenges in terms of the global questions
- > they pose, rather than for the apparently anti-globalization answers that
- > their slogans offer. Indeed, the anti-globalization protests are
- > themselves
- > part of the general process of globalization, from which there is no
- > escape
- > and no great reason to seek escape.
- >
- > But while we have reason enough to support globalization in the best sense
- > of that idea, there are also critically important ethical and practical
- > issues that need to be addressed at the same time. We need global ethics
- > as
- > well as global doubts. What we do not need is global complacency in the
- > inauspicious world of massive comfort and extreme misery in which we live.
- > We
- > can - and must - do better than that.
- >

> Amartya Sen is Nobel Laureate in Economics (1998) and Master at Trinity  
> College, Cambridge. This article was adapted from comments he gave at a  
> seminar on globalization arranged by the Falcone Foundation, in memory of  
> Antonio Falcone, on 23 May, 2001, posted in  
> [indianmimickers@yahoogroups.com](mailto:indianmimickers@yahoogroups.com)

> [anitaandedwin](mailto:anitaandedwin)

> if your fists are weak, you can use them only to wipe your tears--Korean  
> proverb

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**The Centre for the Study of Global Ethics and the  
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Tim Bending

School of Development Studies, University of East Anglia

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Chris Cook

School of Development Studies, University of East Anglia

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*"Faith in the Global Economic Order - Response of Hindus, Muslims, Buddhists and Christians"*

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Main Identity

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 Subject: IDRC - Launch of worldwide Poll on Ideal world/ CRDi - Lancement d'un sondage sur monde ideal

GLOBALIZATION: WORLDWIDE POLL TO ENVISION IDEAL WORLD FOR FUTURE GENERATIONS

The second phase of a high-profile international survey to capture what would be an ideal globalized world for future generations has just been launched by The 2020 Fund of the King Baudouin Foundation in collaboration with Environics International Ltd.

Entitled the Global Stakeholder Panel (GSP) survey, this ambitious research initiative targets a wide variety of decision-makers from governments, businesses and non governmental organizations around the world to identify and rate priorities, policy, and action steps that are the most important to attain a world people want by the year 2020.

"Our public opinion research demonstrates that, in many countries, there is dissatisfaction with the overall direction in which our world is currently headed," says Doug Miller, president of Environics International. "The GSP initiative seeks to better understand what decision-makers from diverse sectors and geographies believe to be an ideal vision of the world in the year 2020."

The survey - available on the Web in Arabic, English, French, Spanish, and Portuguese - will ensure that the perspectives of stakeholders from as many parts of the world as possible are reflected in this initiative.

Results are expected to be released in the fall of 2003. They will be communicated to all national governments and to multilateral agencies in order to help influence critical international negotiations on global governance and globalization, and to help improve institutional leadership capability. These results will be made freely available to facilitate ongoing communication on these important issues and to promote equal access to information.

The GSP is being supported by the following donors: The Mills Family at the Vanguard Foundation (US), the King Baudouin Foundation (Belgium), the International Development Research Centre (IDRC) (Canada), Charles Stewart Mott Foundation (US), The Rockefeller Foundation (US), and Dow Canada.

Some of the many organizations advising the GSP and supporting the initiative by distributing the survey website throughout their networks include: Ashoka, Civicus, Interfaith Center on Corporate Responsibility, Institute for Agriculture and Trade Policy, International Confederation of Free Trade Unions, International Planned Parenthood Federation, World Economic Forum, Business for Social Responsibility, Forum EMPRESA,

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## Cancun Ministerial Failure: Derailing WTO

Amit Sen Gupta and Prabir Purkayastha

The final collapse of the Cancun WTO Ministerial meeting in Cancun without any agreement is a defining moment in the current phase of trade negotiations. For the first time, the club of the rich termed the quad -- the US, European Union, Japan, Canada -- did not get their own way. The earlier collapse in Seattle had as much to do with the protests outside as divisions within the quad, particularly the US and EU. This time, the poorest of the developing countries, incensed by the way their concerns were treated and the procedure of selective consultations, walked out. While the rich countries predicted gloom and doom for the poor countries, their argument was quite simple: no deal is better than a bad deal.

The official WTO Ministerial statement after the Cancun meeting, with six paragraphs, had just one operative sentence: "*We therefore instruct officials to continue working on outstanding issues with a renewed sense of urgency and purpose and taking fully into account all the views we have expressed in this Conference.*"

Probably never before has the failure of a multilateral negotiation been greeted with such exultation. People from all over the world danced on the streets of Cancun as this news came in, signalling the derailment of the meeting. They celebrated at the spot, which had witnessed the tragic suicide of a Korean protestor just four days back.

For days protestors from around the world had infiltrated the area near the conference venue and caused mayhem, blocking traffic, confronting delegates and being chased around by a bewildered army of private security, conscripts and military policemen. Finally, on Saturday, these protestors had something to really cheer about. The jubilation at the final outcome of the WTO summit -- not just in Cancun but also in cities and towns across the globe -- is a pointer to how hated the current world order of WTO has become.

### Why the Failure?

The final collapse in Cancun occurred when developing country governments refused to accept a draft declaration heavily biased in favour of the EU and US positions. After three days of negotiations, the Mexican Chairperson produced a draft that made no concessions to the developing countries. The draft accepted continuation of agriculture subsidies by the EU and US as well as the launching of negotiations on the controversial new issues known as Singapore issues, both of which had been opposed by the developing countries. The Kenyan delegation, under pressure of other African countries, walked out of the Green Room discussions involving 30 countries, effectively bringing the hopes of an agreement to an end.

Why did the developed countries fail to get their way in Cancun, as they have done so often in the past? There are three major reasons for this. The first and certainly the most important is that after having conceded so much in the Uruguay round of GATT negotiations that led to the formation of the WTO, the developing countries have been pushed to the wall. The benefits of globalisation have so obviously gone to the developed countries that it is increasingly difficult for the ruling elite in the developing countries to give further ground and yet be able to face their people at home. There is no doubt that the rising tide of mass movements and public opinion in these countries have made it

difficult for them to yield further without being able to show some reciprocal concessions from the developed countries.

The second reason for the failure was that the Cancun meeting was held in the backdrop of the invasion of Iraq by US forces. In the previous meeting at Doha in 2001, held in the aftermath of the World Trade Tower bombing in New York, the US was able to pose as a victim and coerced the rest of the world to show their sympathy by accepting its demands. In Cancun, they were clearly seen as bullyboys, with disdain for word opinion including the UN. The failure at Cancun had as much to do with US arrogance as with the EU's attempt to manipulate on Singapore issues while conceding little on agriculture.

The third reason for the failure was that given the stagnation of the global and their home economies, the US and the EU had very little room for manoeuvre. In the US, Bush already faces an attack on his handling of the economy, compounded by the unravelling of his Iraq strategy. For the Bush administration to provide any "concession" before his 2004 re-election, it would have needed much larger concessions from others. The EU was in an even worse position. While pushing for the Singapore issues, they were not prepared to make any concessions on agriculture subsidies. In Cancun, both the US and the EU therefore were looking for only one-way concessions. The collapse in Cancun was inevitable once the US and EU realised that the developing countries, for a change, were not going to capitulate.

Finally, however, the abiding image that will remain of Cancun is the united front that the developing countries were able to forge. Led by what came to be known as the G21, (group of 21 countries --- including Brazil, India, China, Malaysia, South Africa) the developing countries remained united till the end. The resolve of the developing countries drew enormous strength from the massive worldwide campaign that had, for over a year, rallied people on the slogan of "Derail the WTO at Cancun"!

India, as a part of the G-21, along with Brazil, China and South Africa played a significant role in these negotiations. They were able to rally the bulk of the developing countries behind them and act as a counter to the US-EU led quad grouping. By all accounts, the quad attempts to split the group through a carrot and stick approach failed. With the WTO Secretariat acting as an instrument of US-EU interests, and a compliant Mexican Chairperson, the US-EU tried to ram through a draft, which not only did not reflect the concerns of the developing countries but also in some respects was even worse than the pre-conference draft. The last straw was the contemptuous dismissal of the demand of five West African countries that had asked for removal of cotton subsidies, which had led to a collapse of the price of cotton in the global market. They were asked by the US to diversify their agriculture and this issue was sought to be clubbed with the textile discussions. The US was not willing to budge on support to its special interest lobbies even if the poorest of African countries such as Mali and Benin were facing bankruptcy. With the African countries on the boil, the conference failed when the EU insisted on discussing the new Singapore issues before discussing agricultural subsidies.

### **Consequences of the Failed Talks**

Many have argued that the failure of a multilateral institution such as WTO would weaken the bargaining position of the developing countries: they now would have to face the rich countries in bilateral negotiations. Already, the US has said that they would

continue with their agenda in various bilateral negotiations going on with 14 countries. This overlooks that the WTO came into existence to provide teeth to the trade regime through a dispute settlement body and trade sanctions. This, as the US is now discovering in Iraq, is a lot cheaper than gunboats and cruise missiles. The bilateral deals have their limits as they neither lock these countries permanently into an unequal position nor have teeth to impose sanctions. It is this coercive instrument -- among other things -- that distinguishes WTO from the earlier multinational GATT as an institution.

While it is true that WTO allows, in principle, the developing countries to come together and negotiate, in practice the club of the rich have ensured through their control of the Secretariat and their ability to split the developing countries that they dictate the proceedings in WTO. The developing countries therefore had no chance of advancing the development round, which is what the current Doha round of negotiations is supposedly all about. Whether the WTO can be used to advance their cause is a moot point today: what were on the table were further concessions on investments, government procurement and further cuts in their tariffs. In this context, the best that the developing countries could hope for was a derailment of Cancun. Without this, there was no way that their concerns would ever be centre staged in WTO.

In the correlation of forces in Cancun this time, a lot had changed from Doha. In this, the alliance of 21 countries -- the G21 -- should not be underestimated. What has also changed in WTO is the entry of China. While China did not play a high profile role, the sheer size of its market and its huge trade surplus with US makes it difficult to push China around. The unity of G21, which included China, held and they and other developing countries showed considerable negotiating skills throughout the conference. The ease with which they dominated the news and tabled alternative drafts took the US-EU by surprise. As the South African Minister said that for the first time we were sitting at the table as equals. And it was deeply disconcerting for the US-EU. Not surprisingly, Zoellick, the US Trade Representative and Lamy, the EU representative spoke scornfully of how "can't do's won out over can do's" and "the medieval decision making process of WTO".

Many other groupings also formed during Cancun, the one on Singapore issues being the most important, with Malaysia and India acting as the spokespersons of the group. Though India was willing to concede on two of the four Singapore issues on trade facilitation and government procurement -- they did not publicly break ranks with others in the closing stages.

All this does not mean that the developing countries have won a major victory. The absence of defeat in the current trade regime must itself be recognised as a step forward. However, Cancun was a Ministerial, the Doha round with all these issues still continue. What the quad failed to do in Cancun will now sought to be done by bribery and blackmail. The coercive diplomacy, the threat of bilateral pacts and many other instruments of pressure will be brought to bear to bring the developing countries to heel. The war still continues, only a battle has been "won", or more correctly stalemated.

#### **WTO and the Hollow Claims of "Free Trade"**

The seeds of the collapse of the Cancun Ministerial were sown well before. The WTO came into existence in 1995, as a result of a decade of negotiations. It was formed with

the stated objective of establishing "free trade". As the diehard votaries of the WTO never tire of telling us, "free trade" is a "win-win" situation for everybody -- everybody is supposed to gain from liberalised trade. The heady euphoria drummed up in favour of globalisation with the coming into force of the WTO in 1995 and its so-called "rule based governance" of global markets has now dissipated. Eight short years after the WTO agreement was signed, people all over the world have realised that the WTO stands, not for free trade, but for free exploitation of the poor countries and the poor wherever they live. "Free Trade" has come to mean protection of developed country markets and the opening of developing country markets.

The WTO, since its inception in 1995, has acted as the battering ram of imperialism. In the current phase of globalisation, characterised by attempts to integrate capital flows, markets and production, the WTO has been the moving force in "liberating" the markets of developing countries for global capital. The first rumblings against the WTO reached a crescendo in Seattle four years ago when the ministerial meeting there collapsed amidst street protests and rioting. Two years later, the developed countries tried to salvage matters in Doha in the backdrop of the so-called "war on terror". In Doha, a modicum of developing country unity prevented the full scale launching of a new round that would link even more issues that pertain to the domestic economy to trade issues unless there was a consensus on modalities of the negotiations. In Cancun, the developing countries were able to use this clause in the Doha agreement to thwart the US-EU attempts to start negotiations immediately.

To understand why the WTO is such a hated institution today, it would be necessary to go back to the mid eighties when the developed countries, led by the US, hammered together an agreement that linked trade with issues that were not hitherto considered part of trade negotiations. The attempt was clearly to use the carrot in the form of enhanced trade opportunities and the stick in the form of the threat of retaliatory trade sanctions to make developing countries change domestic policies that prevented the complete economic hegemony of the developed countries. The WTO, thus, brought within its ambit issues such as Intellectual Property Rights (Patents, Copyrights, etc.), services including vital social sectors such as health and education, and investments. The rich countries had promised the developing world during the Uruguay round of GATT negotiations that if they opened their market to the rich countries and lowered tariffs, accepted patent regime favourable to the MNC's, they would then be allowed access to the markets of advanced countries for agricultural goods and in areas such as textiles. Instead, the subsidy given by the rich countries to their farmers and agribusiness has grown from about \$180 billion then to more than \$300 billion now. In textiles, even the limited market accesses promised by the rich countries have not been forthcoming. It has become apparent that the WTO is tearing down all barriers in developing country markets, while protecting the developed countries markets.

Even a Jagdish Bhagwati one of the most well-known advocates of free-market globalisation, states "The process of trade liberalization is becoming a sham," Bhagwati wrote recently in the Financial Times, "the ultimate objective being the capture, reshaping and distortion of the WTO in the image of American lobbying interests." Bhagwati continues, " The developing countries are scared out of their wits now because they don't understand what they're being forced to sign. The agreements are going way



outside the trade issues and involve a helluva lot of things like your access to oil, your access to intellectual property and capital controls....."

It is in this context of deep scepticism of the developing countries and the people around the world regarding WTO that we have to see the Doha round and the Cancun negotiations.

### **The "Development Agenda" of WTO Negotiations**

The Doha Ministerial in 2001 concluded with the promise of pursuing a "development agenda" within the WTO. It was ostensibly designed to address the "imbalances" of the original Uruguay round that favoured developed countries. It may be recalled that the Doha meeting had ended with the virtual initiation of negotiations on the "Singapore issues" – essentially non-trade issues that the US and EU wanted introduced into the WTO for the benefit of global capital subject to explicit consensus on modalities to be decided in Cancun. However, it was also conceded that issues of vital interest to the developed countries, such as Agriculture, Textiles, Public Health, etc. would be addressed expeditiously. Unfortunately, it is precisely on these issues that the least progress has taken place since Doha. It is now clear that this was a hypocritical assertion by the rich countries. Further, there has been no discernible progress in the area of Special and Differential Treatment (SDT) -- meant to treat developing countries differently to cushion the shock of trade liberalisation. Let us take a closer look at how some of the important issues have unravelled in the run up to the Cancun Ministerial.

#### *Agriculture*

The agriculture sector is a stark example of how the WTO rigged its rules to favour the rich and the powerful. Traditionally, the way the agriculture sector was protected differed among developed and developing countries. The former protected their agriculture by providing subsidies -- both in cash and through other incentives -- to their farmers. Further subsidies were made available if the produce was exported. Developing countries, not being able to provide such subsidies as they were cash strapped, protected their agricultural market by imposing high duties on imports (tariff barriers) and through quantitative restrictions -- that is by specifying a ceiling on the amount of each product that could be allowed to be imported. The WTO agreement was so designed that it targeted the protections of developing countries (by removing quantitative restrictions and reducing import duties) while allowing the developed countries to maintain their subsidies. Even the modest reductions that the developed countries were to make in their subsidies were not adhered to in the last eight years. Instead, the subsidy given by the rich countries to their farmers and agribusiness has grown from about \$180 billion then to more than \$300 billion now. As a result we have a situation today where each farmer in the US receives a subsidy that is seventy times the income of an average Indian farmer!

The case of cotton, sugar and cattle bring this out most sharply. Under IMF and World Bank pressures, West African farmers had to shift from food cultivation to a commercial crop, cotton, so that this could be exported to pay for their loans. The problem they face today is that cotton prices have collapsed in the global market, as the US pays \$3.9 billion in subsidy for its 25,000 cotton farmers, more than the total worth of this cotton crop. With this scale of subsidies -- an average of \$160,000 per farmer -- they can afford to dump their products in the world market. This has dealt a body blow to the West African

cotton farmers, who cannot even survive on the prices they get from the market. Similarly in sugar, the amount of subsidy that EU gives its farmers to grow beet is higher than the price of the entire surplus sugar of the developing countries. The rich countries pay \$2 per head of cattle to its cattle growers, more than the per capita income of the farmers in most of the developing countries keeping life stock.

Such subsidies not only keep a local political constituency happy but also help agribusiness: they are able to buy cheap and capture the global markets, as others cannot compete at these prices. Their ability to capture the global market has nothing to do with efficiency of production or costs: it is simply a reflection of the level of subsidy. Not only is the US and EU not willing to lower subsidies except cosmetically, they also have argued that a large part of their subsidies are non-trade distorting. The Agreement on Agriculture (AoA) divides domestic subsidies into "amber", "blue" and "green" boxes, in which blue and green box subsidies are held to be non-trade distorting. The "Amber Box", consists of subsidies that are seen as trade distorting, and have to be reduced. The "Green Box" subsidies are for production restructuring and direct payments not linked to production, and "Blue Box" subsidies, are not linked to current production but to past production or areas. The unscrupulous and manipulative nature of the GATT negotiations is clear from the fact that the so called trade distorting subsidies were the kind that the developing countries were providing (and hence were phased out) while those that the developed countries provided were supposed to be non-trade distorting (and hence could be retained)! The developing countries were conned into this division of subsidies into so-called trade distorting and non-trade distorting subsidies in the Uruguay round and are only now arguing for bringing all subsidies in agriculture on the negotiating table. Unfortunately, having given up quantitative restrictions then, they have weakened their own bargaining position considerably. Without getting back QRs, they are unlikely to win major concessions or be able to protect their agriculture.

In the run up to Cancun, the US and EU held their own negotiations in mid August to try and unify their positions. The Harbinson draft (Harbinson was chairing the Agriculture section of the Doha negotiations) had attempted to address the issues of export subsidies and credits and the Blue Box subsidies, even if they were inadequate and did not touch Green Box subsidies. The US-EU draft did not even recognise these issues. The entire thrust of their draft proposals was to allow for shifting of the subsidies from one box to another. On other issues, they wanted steep cuts in the tariff protection of the developing countries while making very few concessions on their side. Their thrust was to provide high tariffs to prevail for a few items that will be designate as trade sensitive, allow for steep cuts in tariffs for most other items (non-linear tariff cuts, i.e., the higher the tariff, the steeper the cut) and have zero to five per cent tariffs on certain items. As northern agriculture has a less number of varieties, protection of a small number of items would still maintain their high tariffs for their products. Southern agriculture spans across a very large number of varieties; they would have to undertake sharp reductions. In general, the developing countries have a higher level of tariff protection if we take all products into consideration. Obviously, they would then have to open their markets significantly while still being unable to access the markets of the rich countries, which would be protected by high tariffs.

Though US-EU came to an agreement on how they would face the developing countries, they had some significant differences with each other. The most important difference is with respect to genetically modified (GM) crops. EU has been opposing the introduction of GM crops, though more on health and environmental grounds. To the developing countries, GM crops and TRIPS lead to agribusiness monopoly of seeds and through this, the control of their agriculture. The US would perhaps be willing to reduce subsidies more than EU provided all restrictions on GM crops are removed.

The response to the agricultural agreement reached by the US and EU was 17 developing countries (which later expanded to the G21) quickly getting together and producing a counter proposal to the US-EU draft. They showed how the US-EU draft only addressed their internal differences and allowed each other loopholes for escaping commitments that would address the concern of the developing countries. Their major concern was that by allowing green box subsidies to continue without capping or reduction, the entire exercise of reducing subsidies would become a meaningless game of shifting boxes. They were also sharply critical that the US-EU did not even consider the needs of the poorest of developing countries and provide mechanism for some Special and Differential treatment to them. The 17-member draft was also careful to make proposals that would align the Cairns group of agriculture exporting countries (Australia, New Zealand, Argentina, etc.), which wanted ending subsidies and lower tariffs, with it rather against it. The Cairns group later responded that their positions were complementary and not antagonistic to the G21 countries.

The reaction from EU to the 17-nation proposal was a violent one. The EU representative accused the co-sponsors of "confrontation, South-North conflict, "all take and no give" and "aiming at the stars in order to get the moon." While the US was publicly more restrained, quite willing to have the EU spearhead the fight against G21, the stage for a fundamental North South divide on agriculture had already been set for Cancun.

#### *Textiles*

On issues such as textiles that are particularly important for India, Cancun had nothing to offer. The Multi Fibre Agreement had fixed export quotas for countries such as India for the US and EU markets. The US and the EU admitted that their domestic industries were not competitive and wanted this protection to continue for 10 years. In this period, they were supposed to slowly scale down this protection to zero. Unfortunately, the rich countries have refused to honour this commitment and are using various measures to continue to protect their textile industry. While this is still a part of the on-going Doha round, it was not on the Cancun agenda.

#### *Special and Differential Treatment*

Special and Differential Treatment implies that developing countries be exempted from obligations, or be able to choose their own rate of implementing the obligations, or having a lower level of obligations vis-à-vis the different provisions of the WTO. There has been no movement in this area. The rich countries claim that this has happened because developing countries have been unable to define areas where they wish to avail of such treatment. In practice, they have subverted every attempt to do so. What should have been central to the Doha round has instead become its forgotten agenda.

### *Singapore Issues*

It may be recalled that the Doha meeting of the WTO had ended with the virtual setting up of a new round of negotiations, with the rider that the modalities will need an explicit consensus. While developing countries had opposed this, the agenda was finally pushed through on the last day of the meeting. The new issues (also called Singapore issues as they were first introduced at the Singapore Ministerial meeting of the WTO in 1997) are: (i) trade and investment, (ii) trade and competition policy; (iii) trade and government procurement, and (iv) trade facilitation. These issues are designed to deepen and intensify the predation of global capital and deny the domestic economy of those instruments that the developed countries themselves have applied in their earlier phase of development.

The common theme of three of the issues (investment, competition, government procurement) is maximisation of the rights of foreign enterprises to secure access to markets in developing countries; to reduce rights of sovereign governments to regulate foreign investors; and to prohibit governments from measures that support or encourage local enterprises. If these agreements form part of the WTO, developing countries will find it increasingly difficult to devise their own policies for self-reliant development. The developed countries will press for the principle of "national treatment" to be applied to these new areas, which would mean that developing countries would no longer be allowed to support their local industries. These issues do not belong in the WTO as they are not issues that are directly related to trade. The developed countries want to place them in the WTO so that they can use the mechanisms of trade sanctions to enforce rules that suit their interests.

On the investment issue, the rich countries want to introduce rules that make it legal to give foreign investors the right to enter and establish themselves with 100 per cent ownership. Governments then will lose the right to regulate investments in the national interest or to protect for example, the environment, education and health sectors — both in the long term and in the short term.

Under the proposed 'Agreement on Government Procurement Policy' the developed countries want to introduce a process in the WTO whereby their companies are able to obtain a large share of the lucrative business of providing supplies to and winning contracts for projects of the public sector in the developing countries. The aim is to bring government spending policies, decisions and procedures of all member countries under the umbrella of the WTO such that the governments would no longer be able to give preferences or advantages to citizens or local firms.

Privatisation in different sectors will also be facilitated under the proposed 'Agreement on Competition Policy'. Member states 'will have to consider making reforms to their regulatory regimes' such that national regulations should have four central attributes: adequacy, impartiality, least intrusiveness and transparency towards corporate interests. Distinctions that favour local firms and investors would not be allowed. *If smaller country enterprises are treated on par with the large foreign conglomerates, they would not be able to survive. The North will insist that their giant firms be provided a 'level playing field' to compete equally with smaller domestic companies. Competition of this type will invariably lead to foreign monopolisation of Southern markets.*

Even the area of trade facilitation, while seemingly innocuous, is fraught with problems for developing countries. The establishment of multilateral rules in this area will make it difficult for developing countries to adhere to the standards or procedures envisaged. The main objective of an agreement in this area is to have uniform rules and procedures. Such an approach totally ignores the wide difference in the administrative, financial and human resources between the developed countries and developing countries.

These issues became the major bone of contention in Cancun, especially as the EU and US insisted on them being negotiated while refusing to give in to developing country demands in agriculture. The inclusion of these issues in any future negotiations in the WTO should be resisted, as they constitute a further assault on sovereign rights of countries to regulate their economies. They should never, in the first place, have been brought on to the agenda of the WTO.

#### *Non-Agricultural Market Access" (NAMA)*

The NAMA issues are of vital concern to countries such as India that have an industrial base. Without addressing the central concern of the developing countries that there has been de-industrialisation in the developing countries as a result of lowering tariff protection in the Uruguay round, the rich countries have pushed for wider and steeper cuts in the Doha round. The Cancun draft text reflected largely the quad interest of opening the developing countries even further. Not only was the number of items on which tariff should be lowered sought to be widened, the principle of non-linear cuts where higher the tariff, steeper the cut was also proposed. Further, the draft text sought to bind (fix ceilings) for currently unbound lines and also proposed that these also should be subjected to the non-linear formulae. And the draft rejected the developing countries demand that which sectors should be opened should be left to a voluntary approach, insisting instead that seven or more sectors should aim for accelerated reduction of tariff to zero and this would be mandatory.

#### *GATS: Targeting The Services Sector*

While not a major negotiating issue in Cancun, the General Agreement on Trade in Services (GATS) continues to be another area that the developed countries are preparing to use to prise open the economies of developing countries. The full contours of the GATS agreement are yet to be filled out, but negotiations are now fairly advanced.

Historically trade agreements involved reducing tariffs, eliminating trade barriers like quotas on imports on goods produced in a country and sold elsewhere. Trade related issues are therefore related to what happens at the boundaries of nations. The Singapore issues discussed earlier and GATS are however related to the sovereign economic space of the country where the laws of that country operate. By opening them to multilateral negotiations, the rich countries are denying of the developing countries to use specific levers such as capital restrictions, favour domestic industry, encourage industrialization, protect its labour force and so on. The other thrust behind inclusion of Singapore issues and GATS is the decline in developed countries of manufacture and the growth of their service sector. Presently, the services sectors are growing at the fastest rates in these countries. The service sectors account for two thirds of economy and jobs in the European Union (EU), almost a quarter of the EU's total exports and a half of all foreign

investment flowing from the Union to other parts of the world. In the US, more than a third of economic growth over the past five years has been because of service exports.

As the service sectors of the economies of developed countries grew, exports of various types of services increased. Multinational Corporations started lobbying for new trading rules that will expand their share of the global market in services as governments everywhere spend a considerable amount of their budget on social services. This is what the General Agreement on Trade in Services (GATS) under the WTO is targeting today. GATS covers some 160 separate sectors, including areas such as services in the professions, health and education.

*The GATS as in all the other agreements contains provisions which allow further deregulation of any national legislation which is seen to be hostile to free trade.* GATS identify the specific commitments of member states that indicate on a sector-by-sector basis the extent foreigners' may supply services in the country. The negotiating process in GATS allows for countries to decide, through 'request offer' negotiations, which service sectors they will agree to cover under GATS rules. This refers to the extent to which member states want their services like health and education to be open up to free trade.

In the Third World, much of private services in areas like health and education were provided by non-governmental organisations like charities, religious societies and community oriented associations, which were not entirely profit driven. This will change when with the new dispensation and the corporate sector is poised to play a prominent role especially in countries where there is an affluent elite willing to pay or where there exists a private base in these areas: like in India. *This move to open up the social sectors to allow for privatisation and competition from the private sector will mean private corporations taking over the social services of countries for profit, undermining their equitable distribution.*

If developing countries commit to fully cover social sectors like education and health under the existing GATS rules, this will lead to irreversible changes in the financing and delivery of these services. Governments will have to open up these sectors to foreign service providers. Foreign providers will be guaranteed access to the services market, which includes the right to invest, to provide these services from abroad and to send professionals to practice. Any preferential treatment for local institutions will have to be eliminated or given to foreign service providers. Requirements that first preference be given to locals will be eliminated. Conditions must be created for the private sector to provide or supply any service; the private sector will effectively tap funds that the government spends on social sectors.

The Indian Government has shown itself to be amenable to commit many areas in the service sector for negotiations under GATS. The argument put forward is that this will help the fast growing service sector in the country. Even areas like health are being seen as lucrative areas that could be opened up to take advantage of the cost advantage that high-end health services in India have as compared to that in developed countries. Such an argument entirely negates the fact that areas such as health and education are "public goods" and submitting these to trade negotiations compromises the ability of the state to intervene in these areas. Unfortunately this view of the Indian state is in line with its

policy of withdrawing from providing social security. Moreover it legitimises the privatisation and liberalisation that is already taking place in areas such as insurance, telecommunications, transport, education and health. The argument is that if anyway we are committed to liberalising in these areas, what is the harm in committing these areas under GATS. Other than the fact that this "autonomous liberalisation" is already consigning millions of people to the mercy of the market in vital areas, it should also be understood that there is a basic difference between autonomous liberalisation and committing these areas to the discipline of GATS. While liberalisation that is done by governments can be "rolled back" this facility will not be available once specific areas are committed under GATS as part of a multilateral agreement. We will, thus, end up by binding vital areas of our social and industrial infrastructure to rules that will be dictated by the developed countries.

#### **Public Health Charade in Geneva**

As the Cancun Ministerial meeting of the World Trade Organisation drew near, a charade was played out in the name of public health. In end August, the TRIPS Council of WTO endorsed an agreement in Geneva that theoretically allowed the poor countries to import cheap drugs that were still under Patents but bound them in red tape in away that the provision would virtually be useless.

In 2001 the Doha declaration on Trade Related Intellectual Property Rights (TRIPS) and Public Health had required that a solution be found that would enable countries with no manufacturing capabilities to import drugs at low prices that may be produced in countries like India. In the last two years, the global pharmaceutical majors, with the support of the US government, had systematically scuttled all proposals designed to ensure this.

The Doha declaration had said: "*We recognize that WTO Members with insufficient or no manufacturing capacities in the pharmaceutical sector could face difficulties in making effective use of compulsory licensing under the TRIPS Agreement. We instruct the Council for TRIPS to find an expeditious solution to this problem and to report to the General Council before the end of 2002*". Most developing countries, unlike India, have no manufacturing capability. So the TRIPS agreement (and the clarification in the Doha declaration) did not enable them to access cheaper drugs because they cannot get these drugs produced cheaply in their country even if a compulsory license can be granted.

Subsequently, for almost two years now, the TRIPS Council has been supposedly grappling with this issue. Some international NGOs (like *Medecens Sans Frontieres* and Oxfam) had proposed that a way to get around the above problem would be for the TRIPS council to give an "authoritative interpretation" that exports to countries with no manufacturing capability would be deemed as "exception to patentability" (under Article 30 of TRIPS) and could be done automatically without authorisation from the original patentee. This would have meant that a company in India could be granted a licence to produce a patented drug that is required for a country in Africa, which has no manufacturing capability. The import of this drug from the Indian manufacturer would not then constitute a violation of the TRIPS accord.

The developed countries, led by the US, and including the European Union, Japan, Canada and Switzerland, however, refused to consider this and other suggestions

designed to address this issue for the last two years. The argument put forward by the US and its allies was that this would allow companies in India and other developing countries with manufacturing ability to circumvent the TRIPS accord and manufacture patented drugs. The developed countries have also expressed the fear that once these patented drugs are manufactured under a licence and enter the market, there is no guarantee that they would not find their way to other countries, for whom the exports were not intended. Therefore, the US has been arguing that the number of diseases that is covered by this facility should be restricted to a handful: only a few infectious diseases like HIV/AIDS, Malaria, T.B., etc., and should not cover diseases such as heart disease, diabetes, etc. Further the US wanted that the TRIPS council should have the powers to decide which disease(s) constitutes an emergency in a particular country. It further wanted strict procedures and special labelling that would monitor the export of each consignment that is imported, to ensure that the drug is used only for the purpose for which it was licensed.

The US proposal clearly prompted by its pharmaceutical lobby (there are more lobbyists for the pharmaceutical industry in Washington than there are Congressmen!), was an obvious attempt to make this part of the Doha Declaration entirely useless. The Doha Declaration had clearly stated that individual countries have the right to decide what constitutes a national public health emergency or a matter of urgency. The US proposal wanted to take this right away from sovereign countries. Moreover the Doha declaration had not set a limit on the number or the kind of diseases that would be covered by the facility. Further, the US proposal that each consignment would be monitored, seeks to put in place regulatory mechanisms that would be overseen not by the sovereign countries, but by a supranational body that derives authority from the TRIPS Council. In other words, if the US proposal were to be agreed upon, the TRIPS council would have powers to "police" local legislations -- a power that even the TRIPS accord does not provide for. So the Doha Declaration, far from increasing the scope of flexibilities available for developing countries, would be turned into an instrument for greater control of national legislations by the WTO.

The intransigent attitude of the US delayed the formulation of any discussion text that would be acceptable to all countries. Finally on December 16, 2002, a draft was circulated in the TRIPS Council meeting. This draft, known as the Motta text (called so after the Mexican Ambassador to the WTO Eduardo Perez Motta, who was instrumental in drafting the document) was supposed to be a compromise document. Not surprisingly, given the WTO record for such drafts, this so-called compromise document, actually was designed to accommodate virtually, all the demands made by the developed countries. While the EU and other developed countries supported this draft, the US contributed to the drama by rejecting even this compromise document. *The Motta Text constituted a total dilution of the spirit of the Doha Declaration on Public Health.* The question that could then be asked is, if the text was so restrictive and biased in favour of developed countries, why did the US not agree to it?

Possibly, the answer is to be found in the manner in which the discussion on the Motta Text proceeded after the US decided to oppose it. The emphasis shifted from finding a better solution than the Motta text to attempts to "save" the Motta Text. The focus shifted from how bad the Motta text actually was to start with, to the apparent success of getting



the US to agree and tom-tomming this as a great victory for the poor countries. The US would have got something in return for doing nothing!

And this is exactly what finally happened. The text agreed upon in Geneva in August is not very different from the original Motta Text. The only concession that the developing countries were able to win was that there was no explicit limit on the number of diseases for which the provisions of the agreement could be used. But the whole agreement is so restrictive, that it makes use of its provisions virtually unworkable. In some ways it goes far beyond the TRIPS agreement by allowing a supervisory role to the TRIPS Council in deciding which drugs can be imported and which countries are qualified to use the facility. For a country like India, whose interest would lie in its ability to export cheaper versions of Patented drugs to other developing countries, the agreement is actually a step back from the TRIPS Agreement. The TRIPS Agreement (under Art. 31(f)) allows Patented drugs to be produced under a compulsory license by other manufacturers, which should be sold "predominantly in the domestic market". In other words the TRIPS Agreement allowed drugs produced under a compulsory license to be exported. The new agreement makes this more difficult by introducing another layer of supervision by the TRIPS Council.

The Public Health Agreement just before Cancun was hailed by the US and EU as a major concession for developing countries. They had hoped that this would allow them to extract concessions from developing countries in other areas in Cancun. Fortunately, developing countries realised that the Public Health Agreement did not give them anything, and thus refused to allow it to be used as a bargaining chip at Cancun. Unfortunately this realisation came too late to salvage the agreement on public health.

One intriguing question is why did the Indian Government not fight harder on this issue? It must be understood that the Indian pharmaceutical companies do not think of the poor African countries as a major market: they are not willing to buck the US and EU on this issue as they are far more interested in the lucrative generic markets of the developing countries. That is why the Indian Government was lukewarm at best in opposing the scuttling of the public health provisions of Doha.

### **WTO Decision Making and Role of the Secretariat**

The WTO structure and decision making has come up for sharp criticism from all sides. The US Trade Representative, Robert Zoellick, at his post-Cancun press conference declared: "if countries want to behave like in the UN and only make demands instead of negotiations, making inflammatory rhetoric, then trade negotiations are not possible." This is a position that has been echoed by other developed countries. On the other hand, developing countries continue to point at the complete dominance of the viewpoints of rich countries in the drafts and decisions in the WTO. The major change that has taken place in WTO from that of its predecessor GATT is that it has increasingly become Secretariat and Chairperson driven instead of member driven. General Council or group Chairs, with the help of the Secretariat, produce drafts what in their view should be the "consensus" and not what the countries say during the consultations. These drafts predominantly reflect the viewpoint of the US and EU, the block of the rich. This is coupled with developed countries arm-twisting countries and their ministers/ambassadors to agree to the so-called consensus draft.

If this were not enough, WTO routinely uses Green Rooms where selected delegations are herded in and asked to submit to the dictates of the rich countries. This "agreement" in such smaller gatherings is used to ask the general council to submit to a "consensus". Any country that stands up is threatened with bilateral action or courted secretly with carrots.

The run-up to Cancun continued with all the ingredients that have made WTO so unpopular for the developing countries. The text for Cancun was produced on Sunday, 24<sup>th</sup> August by Ambassador. Castillo of Uruguay, who then asked for responses from the country delegations by Monday 25<sup>th</sup>. The draft refused to recognise the development issues that were projected in Doha. In agriculture, Green Box subsidies were not touched and Blue Box subsidies were actually increased for countries such as the US Export credits and subsidies committed to be brought down to zero within a time bound period in Doha were allowed to continue indefinitely. All "concessions" for the developing countries in terms of special and differential treatment was left to the "best endeavours" of countries and not as binding commitments. Deep across the board cuts were proposed in agriculture and for industry, with higher Swiss formulae of non-linear cuts (the higher tariff, the deeper the cut) being proposed. Finally, on Singapore issues, through the draft recognised two alternate positions -- one for an immediate start to negotiations and the other for continuing further studies on these issues -- but the Castillo draft only included the Annexures from the US-EU position and not that of the developing countries. This despite about 90 countries stating that Singapore issues needed to be studied further and no negotiations should start.

On addressing the special problems of countries hit by the Uruguay round, the draft had not only nothing to offer, it virtually reduced this concern, supposedly the major focus in Doha to a footnote in the negotiating draft.

From the beginning, the EU has been playing a game in WTO. It was prepared to discuss agriculture provided the developing countries were willing to start negotiation on Singapore issues. The Castillo text also linked the Singapore issues to the negotiations on agriculture.

The Castillo draft drew a sharp reaction from the delegations. Country after country criticized the draft and asked Castillo to incorporate their views in the draft. All such suggestions, including that of the G-17 (by that time G19) were rejected, Castillo claiming he preferred a clear text and changes should be a part of the Cancun negotiations.

The question is how are drafts and such texts to be made? Why do the developed countries persist with a secretariat or a chairperson driven agenda? The answer to this is that the rich countries wield disproportionate influence over the WTO Secretariat though the Secretariat is headed by a Director General from Thailand, one of the developing countries. In practice the Secretariat is very much under the US-EU influence and plays a key role incorporating the US-EU texts as the "draft texts" for discussions. No amount of criticism from the developing countries has managed to change the stranglehold that the rich countries exert over the process. Similarly, a chairperson driven draft discussion text allows the rich countries to either bully or win over by other means the chairpersons. Individual countries are far more vulnerable to such bullying, while individuals are open

not only to pressure but to blandishments and indirect bribery as well. Once such a text is put forward, the rich countries get into the act of isolating the opposition and bringing to heel the rest. Delegate after delegates have given first hand accounts of such tactics. Finally, those that hold out are termed as "spoilers" and singled out for economic and political blackmail.

The rich countries therefore want that the process of creating such drafts be opaque and narrowly located. It is always easier to coerce the few and then browbeat the rest. That is why the WTO process remains the only one in such international bodies that is without procedures and modalities for preparing documents.

Coupled with this completely non-transparent and behind the scenes procedure, is the brinkmanship that these countries are playing in WTO. The drafts are released at the last minute, translations are quite often not available and a number of consultations held simultaneously. The result is that smaller countries are at a disadvantage: they neither have the expertise nor the numbers to look at complex drafts within the few hours given to them. Neither are they consulted during the process of creating the drafts, which is generally a closed exercise between the Secretariat, the Chairpersons and a privileged set of countries. Cancun was no different; in fact the partisan nature of the Secretariat and the brinkmanship practised by the rich countries was even greater here.

Observers have called the brinkmanship practiced in which the actual negotiating position is exposed at the last minute as "political blackjack". Undoubtedly, amongst other things this political black jack also backfired in Cancun as concessions given were too little and too late.

### **Conclusions**

Where do we go from Cancun? There have been two kinds of responses to WTO, both of which to our mind are problematic. One set of experts have argued that WTO represents the best bet for the developing countries. Any weakening of this multilateral sector, according to these experts, would expose the developing countries to only bilateral fora and a far greater degree of pressure there. Much of these arguments could have had merit if these experts did not also preach submission in WTO to the dictates of the rich. If the developing countries in order not to submit bilaterally, have to submit to deals in such multilateral forum that are going to ruin them anyway, it seems to be an argument for accepting the death sentence and only choosing the mode of execution. This approach fundamentally refuses to look at the way the WTO is functioning. The WTO, unless it becomes a more democratic institution, open to the views of the developing countries, will continue to be another platform where the rich countries attempt to impose unequal obligations on the developing world.

If countries such as India are not to submit to the dictates of the rich, is their only option to walk out of WTO? Here again, two sets of arguments (not mutually exclusive) are advanced on quitting WTO. One is based on localism: the self-reliant village economy (the tribal or forest) is the ideal. Here the enemy is perceived to be globalisation itself, with imperialism as only another name for globalisation. The other view supporting the quitting of WTO is that Indian economy (and other developing countries economies) is perceived to be neo-colonial: quitting WTO is in some sense seen to be freedom from

imperialism. In this view, the rulers of the developing countries are seen to be lackeys of imperialism and therefore incapable of fighting imperialism even in a limited sense.

In reality, such views – whether the one advocating submission in WTO or the one demanding leaving WTO – disregard the possibility of resistance within WTO against the onslaught of global capital. The Cancun Ministerial shows that the local and global resistance to global capital and imperialism is possible. The pressure of the people on their governments is mounting and the manoeuvrability of these governments is getting more and more circumscribed. As one African Government is supposed to have told its minister that if you come back after signing this draft, you need bother coming back, people will throw you out. Jaitley also conceded in private that while economically India, he felt, could concede on lowering of agricultural tariffs, politically it was difficult.

The issue here is not whether WTO can be reformed but using the WTO also as a terrain of struggle. If WTO continues as an instrument of global capital, it will de-legitimise itself. Therefore, the fight is for either de-legitimising WTO or dismantling it. Leaving it intact while we walk out of it is to put oneself at an even greater disadvantage of negotiating bilateral agreements with all the countries separately.

The US has already made its intentions clear. The US Trade representative Robert Zoellick said at the post conference press conference: *“The U.S. trade strategy, however, includes advances on multiple fronts. We have free trade agreements with six countries right now. And we’re negotiating free trade agreements with 14 more. All our free trade agreement partners, some quietly, some more actively, tried to help over the course of the past couple of days. The results are very revealing to me, that over the past few days, a number of other developing countries, that are committed to opening markets and economic reforms, expressed their interest in negotiating free trade agreements with the United States”.*

What Zoellick basically said is that if the WTO does not allow the US to ride roughshod over other countries it will do so by negotiating with individual countries or smaller groups of countries. Through agreements such as the NAFTA (North American Free Trade Agreement) and the FTAA (Free Trade Agreement of the Americas) the US is already seeking to impose conditions on its neighbouring countries that are far more onerous than what is demanded of by the WTO. The opposition to such arm-twisting, in order to be effective, would require a strengthening of the developing country unity that was seen in Cancun.

The Cancun derailment, thus, by no means implies a victory of the developing countries or the people. It is at best a temporary reprieve as the rich and powerful band together to try and win through behind the scenes manoeuvre what they could not win in Cancun. The three months cooling off period before the negotiations start again will be used to blackmail or arm-twist the ringleaders. Jaitley’s position was that we were close to an agreement: India was willing to concede on two of the Singapore issues and negotiate on the rest. The people will need to mount pressure on the Indian Government that they stand firm and not yield in Geneva what the rich countries could not secure in Cancun.

*References:*

It would be difficult to identify all the references we have used for this article. Most of the background material has been taken from three websites that have extensive coverage of WTO issues. These three and the Delhi Science Forum website where our earlier articles on this issue are archived are given below:

1. Third World Network: <http://www.twinside.org.sg/>

Martin Khor's and Chakravarti Raghvan's backgrounders and articles have written extensively on the run-up to Cancun and the course of the negotiations. The briefing documents have been extremely useful.

2. Focus on the Global South: <http://www.focusweb.org/>

Walden Bello, Nicola Bullard, Aileen Kwa, Raghav Narsalay and Shalmali Guttal have written a number of articles on Cancun and the Doha round of discussions.

3. Macroscan, an Alternate Economic Webcentre: <http://www.macroscan.com/>

The articles by C.P.Chandrasekhar, Jayati Ghosh, Prabhat Patnaik and Utsa Patnaik provide not only information but also an analytical framework to understand the WTO issues.

4. Delhi Science Forum: <http://www.delhiscienceforum.org/>

We are also grateful for the help we have received from S.P.Shukla, the Convenor of the WTO Virodhi Jan Abhiyan, whose writings and discussions have helped clarify a number of issues for us.

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4 December, 2003

Dear Friends,

**Sub: Fifth Ministerial of the WTO: Post Cancun Lessons and Challenges for Civil Society**

In continuation to our National Consultation organized in August 24-25, 2003 before the Cancun Ministerial, we would like to share the lessons learnt at Cancun and chalk out a strategy for the future for Civil Society Organisations. A demand to hold these kind of Consultations rose in the August Meeting itself from many participants who were present. In this connection we are holding a **one day Consultation on Thursday, 18<sup>th</sup> December, 2003 in Bangalore**. PAIRVI and Oxfam Trust New Delhi are jointly organizing this Consultation. EQUATIONS has kindly agreed to be the local host.

Knowing your deep interest in the subject, we would like to invite you for the Consultation and look forward to your inputs and suggestions towards formulation of a post Cancun Agenda for Civil Society. I am also enclosing a copy of the draft Agenda for your information.

Modest accommodation will be provided at UTC, the venue of the Consultation and we expect the participants to organize their own travel and other related expenses. We would be grateful if you could confirm your participation in any one of the following addresses by **10 December, 2003**. This will help us with the logistics.

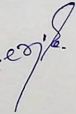
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Ph: 5244988/5344149  
Email: [penny@equitabletourism.org](mailto:penny@equitabletourism.org)

Looking forward to your participation,

Best regards,

Sincerely,

  
Madhusree Banerjee  
Program Manager

If you have already acknowledged this mail please ignore it.

NH - pl. put up  
M17E  
If vehicle to pick me up from residence  
at 8:30am on 18<sup>th</sup> (Thursday)  
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Fifth Ministerial of the WTO: Post Cancun Lessons and Challenges for Civil Society

Bangalore, December 18, 2003

Organised by  
Oxfam (India) Trust, New Delhi and EQUATIONS, Bangalore

TENTATIVE AGENDA\*

8.30 am to 9.30 am:	Registration
9.30 am to 9.45 am:	Welcome and Objectives of the Consultation
9.45 am to 10.25 am:	Keynote Address: Mr. S.P. Shukla
	Session II: AGRICULTURE
10.25 am to 10.30 am:	Chair's Opening Remarks
10.30 am to 10.50 am:	India's position at Cancun on agriculture-Devinder Sharma
10.50 am to 11.10 am:	Farmers' perspective on AOA- Prof. Nanjundaswamy
11.10 am to 11.30 am:	TEA BREAK
11.30 am to 11.50am:	Discussion
	SESSION III: SINGAPORE ISSUES
11.50 am to 11.55am:	Chair's opening remarks
11.55am to 12.15 pm:	Developmental Impact of FDI – Kavaljit Singh
12.15 pm to 12.35 pm:	Singapore issues & sovereign policy space-Raghav Narsalay
12.35 pm to 1.00 pm:	Discussion
1.00 pm to 2.00 pm:	LUNCH BREAK
	SESSION IV: TRIPS
2.00 pm to 2.05 pm:	Chair's opening remarks
2.05 pm to 2.25 pm:	Peoples Right to Health – Ravi Narayan
2.25 pm to 2.45 pm:	TRIPS revision & Implementation – Amit Sengupta
2.45 pm to 3.05 pm:	Discussion
	SESSION V: SERVICES
3.05 pm to 3.10 pm:	Chair's opening remarks
3.10 pm to 3.30 pm:	GATS negotiations post Cancun and India's position – Benny Kuruvilla
3.30 pm to 3.50 pm:	Right to Water & GATS – Dr. Janakrajan
3.50 pm to 4.15pm:	TEA BREAK & Discussion
4.30 pm to 5.15 pm:	Political Parties stand & OPEN FORUM

Political Parties:

- Congress (I)
- BJP
- CPI (M)
- CPI ???
- Janata Party/Dal
- Trade Unions
- Industry Reps- FICCI/ CII

\* Please note that the names of the speakers are proposed and they are yet to confirm.

## Globalisation and Bhopal Agenda

Dalit intelligentsia prepared the Bhopal declaration, a 21-point charter of demands, under the auspices of the Government of Madhyapradesh in the Bhopal conference held on January 12, 2002. Pratap Bhanu Mehta, Aditya Nigam and several other intellectuals had described the Bhopal declaration as "The new dalit agenda, "one of the most creative responses to the emerging challenges of the new global order" and so on. To understand what is 'new' and 'creative' in this new agenda we have to analyse the Bhopal document, the base text, prepared by the Madhya Pradesh Government and the Bhopal declaration finalised by the Dalit intelligentsia.

### The Bhopal agenda

Above 300 odd dalit intellectuals and activists collected from various parts of the country discussed the Bhopal document and prepared the 21-point Bhopal declaration. The charter of 21 demands include democratization of capital, diversity in all public institutions of India, diversity of workforce in all private industries/corporate houses, affirmative action programs in all private institutions including industries and corporate sector, supplier diversity and dealership diversity in all goods and services, high quality education to all dalits, elimination of manual scavenging, the restoration of alienated land to the tribals, 5 acres of land to each dalit family, implementation of Bonded Labor (Abolition ) Act and SC,ST Atrocities (prevention) Act and so on. The Bhopal declaration presented some new demands in the context of Globalization of the Indian economy including the many long-standing demands of the Dalit movement. Demands such as democratization of capital, diversity of workforce in private sector, affirmative action in all private institutions and supplier and dealership diversity in all goods and services, the admirers of the Bhopal agenda argued, moved the debate on caste beyond the limited framework of reservation in the public sector. It is suggested that for the first time, dalits are demanding a share in the market to make dalits millionaires and billionaires.

I would focus my discussion on these 'new' demands, as they are central to understand the politics of what is popularly known as the Bhopal agenda. Chandrabhan Prasad, the noted dalit intellectual and the person who drafted the dalit agenda section in the Bhopal document explicitly states, " The SC/, STs will have to keep in mind that the community [dalit] is unlikely to capture the political power on its own. -the community must recognize the fundamental nature of its existence; that is of being a social minority... The SC/STs must, therefore, look for a 'a share in the political power structure... " P59. Chandra Bhan rules out the very possibility of capturing political power by the Dalits. He abandons the agenda of the political power, which has been one of the issues in the agenda of the dalit movements for a longtime in some form or the other. He clearly lays out terms of the debate for the preparation of the Bhopal agenda. Dalit intellectuals have to draft a declaration of the Dalit rights in the framework of the emerging market economy of the country. Given the predefined framework, DalitIntellectuals had little space to add their own demands market economy. It is not surprising that we find no discussion or even mention of the devastating impact of the imperialist globalization on



the Indian society – particularly the oppressed castes in the Bhopal Document or in the Bhopal agenda. We find no statement about the anti-dalit, anti-people nature of the globalization. We find no discussion of struggles of the past or even discussion of plans for the future struggles. Surprisingly, the American capitalist state emerged as a model for the liberation of Dalits in India.

### **The American model**

Chandrabhan Prasad invokes the American model of democracy and society in the Bhopal document when he says. "The US has evolved into thriving democracy ... American society is now an enthusiastic advocate and practitioner of equal opportunity, affirmative action and diversity policies in sphere of life." p67. It has been demonstrated that the enormous but still very unevenly distributed advances made by African Americans owe nothing to the free market but to their intense struggles in 1960s, and 70s. It has been pointed out that the tax cuts of the Regan Administration of the 1980-84 and 1984-88 devastated the Black community. The Clinton Administration did not reverse these measures. It is too simplistic, ahistorical and naïve to believe that the American State is honest and pro-black.

I wish to digress a bit and discuss the differences between the American model of affirmative action programmes and Indian reservation system in India. Dalit intellectuals seem to suggest that we may shift to the American affirmative action programmes abandoning the Indian reservation system.

The American affirmative action programmes are a set of anti-discrimination laws and diversity programmes. They are voluntary in nature and are introduced by the Business houses out of a sense of loss of their reputation. They are not mandatory programmes.

Where as the Indian reservation system is mandatory and guaranteed by the constitutional prescription. The American model will be harmful to the Dalits in India. The Indian state and its bureaucracy violated even the constitutionally guaranteed reservations. Where is the guarantee that the Indian state and its institutions will implement the non-mandatory affirmative action programmes. I am arguing that the Bhopal agenda advocates a rejection of the Indian reservation system in-favor of the American model. There is no single statement made in the Bhopal agenda about the dismantling of the reservation system both by the central and state governments. We notice a tension between the two kinds of reservations demanded in the Agenda. The inclusion of demands related to reservation system and also the affirmative action programs indicate the contradiction between those who advocate the American model and those who want to retain the Ambedkarian concept of reservations.

### **The Indian state as a neutral agency**

The Bhopal agenda posits the Indian state as a neutral agency. Dalit intelligentsia demanded that the Indian state should be an active player in the Indian market and that it should ensure Dalits' share in the market. What is surprising is the fact that Dalit intelligentsia is silent on the major changes- anti-dalit and anti-poor changes, brought about by the Indian state to strengthen the market forces in the country. Some of the far

reaching anti-dalit, anti-poor changes include large scale selling of institutions, Assets, Infrastructure, public community facilities and land to private corporations, free access to MNCs, corporatization of Agriculture, contractualization/casualization of labour, privatization of the public sector and so on. Many papers in MR-2004 have already demonstrated the adverse impact of globalization of Dalits and other poorer sections. In this scenario a small section of Dalit intelligentsia, I believe, is making a conscious effort to align with the Indian state. They are doing it knowing fully well the pro-upper caste/class character of the Indian state. Before I comment on the comprador character of a section of the Dalit elite, let me briefly discuss the experience of Globalization in A.P.

### The AP Experience of Globalisation

In last ten years, a large number of cotton, groundnut farmers and several handloom weavers committed suicide. These suicides of farmers and weavers – a sizable section of them are SC/BCs, are attributed to the adverse affects of the global market. A. Committee, enquired into the suicides of Cotton farmers, found out that 255 farmers in 1998, 58 in 1999, 119 in 2000, 196 in October 2001, 55 farmers on march 15, 2002 alone committed suicides. During 1988-91, 150 weavers died of starvation and some among them committed suicides. These deaths are a direct consequence of Indian State's pro-globalisation policies

In the last decade, Andhra Pradesh has witnessed a spate of anti-privatization struggles highlighting the adverse impact of globalization on SC/ST/BCs along with the other poorer sections. In 1999 December, the student, youth, unemployed united struggle committee led one of the major anti-privatization struggles in 1999 struggles demanding employment. This struggle highlighted the World Bank condition that the State government should downsize its Employees from 11 lakh to 8 lakhs by 2001. They criticized the Government for the growing unemployment-the registered unemployed were 30 lakh 80 thousand in 1999. They identified 35 thousand SC, ST backlog vacancies. The statewide strike by the APSRTC employees for 24 days from 15 October to Nov 7<sup>th</sup> 2001, the strike of the Singareni workers and the recent on going agitation of the Junior doctors are against the Government policy of privatization dictated by the World Bank, IMF, WTO combine, not for their salary and facilities.

On the specific issue of reservations in the Private sector, the pro-world bank Babu Government is very clear. The Government of AP has categorically denied on the floor of the Assembly that it cannot implement reservations in the private sector. It opposed demands for reservations in Tripple IT and Indian school of business established in the private sector. Lecturers in the colleges teachers in Andhra Pradesh Social Welfare Residential Educational Institutions societies are appointed on contract basis. In some departments, the government is following reservations in the contract jobs to avoid any immediate struggle against the Government.

Given this scenario, dalits needs to wage a militant struggle to secure even the minimum rights such as reservation in the private sector, scholarships, education and skill development. We have been fighting for the implementation of the welfare programs, rervations in the private sector and so on. While fighting for some of these welfare

main identity

From: <amio@sirecontact.de>  
 To: 'Rolf Kunnemann' <Kunnemann@t-online.de>  
 Co: <sochara@vsnl.com>; "Hahn Walter" <w.hahn@brot-fuer-die-welt.org>; "Katrin Behrens" <katriha@web.de>; <boell@yahoogroups.de>  
 Sent: Tuesday, February 03, 2004 7:44 PM  
 Attach: Roddy, Anita U. Prasad.vof; andhraworldbank.htm  
 Subject: help andhra grassroots

dear friends

as attachment i am sending you an example of the world bank's arrogance and the connivance of wily politicians with the world bank. would be glad if you take the necessary action. it is only a coincidence that i was born and brought up in hyderabad andhra pradesh and i wish that it improves for the better in justice and good will

good wishes of solidarity.

prasad reddy,berlin)

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Suche:  >

## Aktion gegen Weltbank- Kredit für Andrah Pradesh/Indien

### 18.12.2003: ACTION ALERT World Bank planning adjustment loan to Indian state of Andhra Pradesh despite major human rights problems

The World Bank is considering a loan to the State of Andhra Pradesh in India. The Board meeting for approving the loan is scheduled for 22 January 2004. This means that we have one month to assist Indian groups in raising their concerns that the loan should not be made at this time of severe governance and human rights problems in the state. Andhra Pradesh is one of the poorest of India's southern States and has a long history of social inequality and conflict. For three decades it has been wracked by violence between the government and guerrilla organisations. Both sides have been guilty of numerous human rights violations. The government has engaged in torture, assault, and extrajudicial executions. Every year hundreds of people are killed in police shootouts in the State, often in dubious circumstances. Most recently, in the wake of an assassination attempt on the Chief Minister in October, human rights activists have been targeted in a wave of intimidation and arbitrary arrests. The government has dissolved the State Assembly, with the likelihood of more instability in the run up to elections next year.

The \$160 million Bank loan is intended to support an 'economic reform' program by the State government, modeled on a consultation document called 'Vision 2020.' The reforms envisaged in this document, including commercialization of agriculture, privatization of state facilities and the imposition of user fees, will have socially devastating effects in the State.

[WEED- Vera Infobriefe We Entwicklung](#)

- W&E 01/ Klimapoh 2004 +++ +++ Welt NGOs im
- 16.12.200 12/2003: EU-Wirts Europäische Sozialfor care + G. Mainstrea Kohärenz
- 15.12.200 Sonderdie Die WTO G21 : LE

Mehr zu

- 29.01.200 demonst WSF meh
- 22.01.200 01/2004: Jahre 200 Cancún + und NGO mehr>>
- 18.12.200 gegen We für Andra Pradesh IV
- 17.12.200 Pressemit

Granting the loan at this time of crisis and instability is likely greatly to exacerbate the violence and embolden the government to continue with its repressive and brutal policies. For these reasons, the People's Union for Civil Liberties, an Indian human rights organisation, has taken a public position against the granting of this loan. A letter from the PUCL's national president, K.G. Kannabiran, and a joint statement by PUCL and the Human Rights Forum have been sent to the Bank. The full statement is at:

pt. print. ① \*

[www.brettonwoodsproject.org/appgovstat](http://www.brettonwoodsproject.org/appgovstat) These organisations have asked that others support their campaign to ensure that this loan is not granted at this time.

In this context, we ask that you letters of protest to the Bank's Board, Executive Director and President on this matter. The most effective will be to write to the Executive Director who represents your country on the World Bank Board. For a list of Eds and their contact details, see list at:

pt. print. \*

[www.bicusa.org/mdbs/wbg/execdir.htm](http://www.bicusa.org/mdbs/wbg/execdir.htm). If you prefer, you can, however, simply write to the World Bank President, James Wolfensohn at [jholden1@worldbank.org](mailto:jholden1@worldbank.org). A sample letter is enclosed below. Please adapt this if you can; more individualised messages are always more effective. Please also circulate this widely to your networks. In solidarity, Alex Wilks  
Bretton Woods Project

SAMPLE LETTER. James Wolfensohn President World Bank  
1818 H Street, NW Washington DC, 20433 USA Fax: + 1 202 522 7700 I am concerned to hear that the World Bank is considering granting a loan to the Indian state of Andhra Pradesh. This state has a long history of social violence and government repression, including numerous human rights violations. The loan and the programs it promotes are likely only to worsen this situation. Two prominent Indian human rights organisations, the PUCL and the Human Rights Forum, have issued a statement opposing the loan. I support this statement and its demands. In particular, I call on you to halt this loan until: - elections are held in Andhra Pradesh; - the State government ends extra-judicial executions and complies with its obligations to prosecute police officers responsible for these killings; - the State government disbands vigilante organisations and other extra-legal methods of repression. Yours sincerely,

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## Governance & Police impunity in Andhra Pradesh

### World Bank urged not to make loan

Statement | 14th December 2003 | PUCL and Human Rights Forum

Open statement by

K.G. Kannabiran National President Peoples' Union for Civil Liberties

K. Balagopal Human Rights Forum Andhra Pradesh

1 December 2003

The attack on the life of the Chief Minister of Andhra Pradesh (A.P.) on 1/10/2003 at the foot hills of Tirumala has brought home to even that section of the public of Andhra Pradesh that has never entertained any friendly feelings for the naxalites, the need to have a meaningful and effective policy in the matter of handling the naxalite phenomenon. The tragedy is that the man whose near-death has brought home this realization is least fit for making it true.

The naxalite movement is a political movement. It was crafted by a section of the communist movement which held that the revolution which is their goal cannot be achieved by parliamentary means. It may be that no policy initiative of the Government will alter this belief.

But the movement does not function in the realm of pure political theory or belief. Being a political movement, it lives and functions, amidst the section of the people who support it. These people, like all people who support extra-constitutional movements, have suffered immensely for their support to the naxalites. If nevertheless they have supported it and continue to support it, it can only be because of some serious material or social deprivation they are suffering in society as it is now constituted, and the relief that they find in the activity and the promises of naxalite politics.

A meaningful and effective policy of handling the naxalite phenomenon can only be a policy that will address this deprivation. It is true that the political establishment in Andhra Pradesh has never had such a policy, it is even more true that the dispensation of Chandra Babu Naidu has taken things farther back.

The deprivation that the masses suffer from is because of lack of access to material resources, and social opportunities for gaining such access. A variety of economic and social policy steps are needed to create such access and opportunities, even in a gradualist perspective. If there was five percent of actual action and ninety five percent of mere rhetoric in this regard in the past, Chandra Babu Naidu has declared that even that five

percent of actual direct action is out of bounds of Governance, for what Governance does is only to facilitate access to markets and not provision of sustenance, or resources necessary for sustenance. Such a policy perspective has some thing for classes that already have access to resources, the more access the better, but nothing for those who have little or nothing. But it is precisely those who have little or nothing who have constituted the support base of the naxalite movement.

Soon after becoming Chief Minister of Andhra Pradesh, Chandra Babu Naidu produced a document titled Vision 2020, supposedly his vision for the State in the coming two decades. It contours have been filled in by the various other policy decisions announced and canvassed in individual spheres of administration such as land use, irrigation, agriculture education, health and labour welfare. If one puts oneself in the position of a person suffering economic deprivation and social discrimination, one can see little in all this to enthuse.

It is well known that the market fundamentalism of the World Bank in the socio economic philosophy of Chandra Babu Naidu, and that he has received ample support from the World Bank in his effort to give effect to it. One of the consequences of this fundamentalism is that resources such as land, forests, water, and nature in general are to be put at the disposal of those who can invest and add further and greater value to the produce there from, and not those who merely live off the resources. In a country like India where vast numbers of people live directly on nature and need access to natural resources for sustenance, this can have a disastrous effect on livelihood opportunities.

Distribution of land under the control of the Government was one of the means by which livelihood resources were put within the reach of the poor in the past. Very little in comparison with total arable land in the country was in fact distributed to the landless, but the trickle kept hopes alive. In Chandra Babu Naidu's dispensation such land is earmarked for being leased to investors in agri-business, tourism etc and out of bounds for the poor. In districts like Visakhapatnam singled out for tourism development, whole tracts of land are being put out of bounds for people whose livelihood activity is liable to destroy the attractiveness of the habitat for tourism.

Access to forest resources was the principal source of livelihood for the tribal communities and other forest dwellers. While there has been legal restraint amounting to prohibition on this ever since the Forest Conservancy Act was enacted in year 1980, in practice some access was permitted on the sly. This is being tightened up today and the forest dwellers are being coerced into schemes of joint community management of forests which privilege cultivation of commercially valuable species of flora and do not assure a regular income to the people.

Public or community irrigation works - not necessarily large scale - were the preferred mode of providing water for crops from the remote to the recent past. Chandra Babu Naidu has systematically devalued such works and has very actively canvassed ground water conservation as the fulcrum of his Government's irrigation policy, whose concomitant is private provision of irrigation through energized wells at costs profitable to the private power producers who are proliferating in the State. Indeed, privatization of power production and distribution together with debanking of public irrigation works has had the effect of shutting out the possibility of viable irrigation for farmers of the rain scarce districts of Telangana and Rayalaseema.

The way education and health have been permitted to become flourishing businesses is a particularly vulgar instance of Chandra Babu Naidu's policy preferences. Vision 2020 goes to the ridiculous extent of identifying these two as areas of investment that can act as growth engines for the State's economy. No thought was apparently been given to the effect the identification of such absolutely essential life requirements as 'growth

engineers' for achieving a high growth rate for the economy can have on the livelihood rights of the people.

The effect could however be seen in the monsoon months of 2003 when a new form of brain fever identified as meningo-encephalitis broke out as an epidemic in the rural areas of Warangal and Karimnagar districts. Hundreds of children of school going age succumbed for want of immediate health care. Everyone was agreed that proper hospitalization within twenty four hours could have saved the lives, but because of utter neglect of public health, there were just no hospitals available close to most of the villages affected, and the proliferating clinics in the district head-quarters cater to paying diseases - there are specially obesity clinics in a small town like Karimnagar - but none to treat such epidemics that ravage the poor. The World Bank's health policy prescription, on the other hand, says that Government's responsibility should be confined to primary health care, the rest to be left to private initiative. This is being toed by Chandra Babu Naidu's Government.

In the matter of employment, Chandra Babu Naidu's 'vision' declares that self-employment is the best thing, and even for that the Government cannot give much by way of help excepting gratuitous marketing advice; because the main problem is want of capital, and public financial institutions are today no longer in a policy mood to give risky loans to unemployed youth. That is another piece of the World Bank's wisdom adopted unquestioningly by our country's rulers. Government employment is being drastically pruned. The World Bank has been promised that public employment will be reduced systematically from one year to the next, and consequently posts that fall vacant in the Government are not being filled, except in the police department. Governance is being reduced to the minimum, and what work is required for that is being taken from contract/casual labour. But the moment these contract/casual labour reach a stage where they may seek regularization of their services, they are being retrenched, and the Courts are reluctant to come in the way of Government's discretion' in the matter. Exemptions from labour welfare laws are being given with ease: all Information Technology establishments in Andhra Pradesh have been exempted from the need to follow any fair procedure in terminating the services of their employees, and the Municipal Corporation of Hyderabad has been exempted from the obligation to pay minimum wages to the women contract labour engaged by it to sweep and clean the city's roads.

The relevance of all this to police impunity vis-a-vis the naxalite movement is that a Government that follows such socio-economic policies cannot have any answer to the political challenge posed by the naxalites. It can only endow the police with arbitrary powers clothed in lawless impunity, or arbitrary laws such as POTA. That the naxalites, more particularly the Peoples War, believe only in paying back in kind makes matters worse.

Killing cadre of the naxalite parties and declaring that they have died in an 'encounter' with the police has been a common practice in Andhra Pradesh for more than thirty years now. Not only actual cadre but even suspected cadre and sympathizers have been killed. However, never before Chandra Babu's government did this killing attain the figure of two hundred victims per year. Even during the Emergency period of 1975-77, when fundamental rights were official suspended, and a number did not cross a hundred and fifty. But what is even more remarkable is that it is in this regime that such extra-judicial execution has been generalized to other classes of undesirable persons, too. There are now at least three such classes who are liable to be killed rather than taken to a Court of Law if apprehended by the police.

One is the foot soldiers in the big game of violent faction conflicts in the Rayalaseema districts of Kurnool, Cuddapah and Ananthapur. The leaders of these factions, who thrive financially and politically on the systematic use of muscle and gun power, are legislators of the ruling Telugu Desam party and its main rival the Congress Party. Most of them belong to the dominant Reddy community. The police provide them with escort



and protection. But the foot soldiers in his brutal game, belonging to backward and tribal communities, are liquidated in custody without the benefit of any trial. The second class or category are persons who take to violence against Telugu Desam Party leaders. They are straight away hunted down and killed by the police. The third category are persons accused of being part of professional robbers' or dacoits' gangs. Most of these gangs are composed of men from nomadic communities low down in the caste hierarchy with little social sympathy. In Chandra Babu Naidu's regime they are being killed not only before being produced in a Court of law, but also after being remanded to judicial custody by a competent Court. They are liable to be killed on the way to Court from prison to obtain extension of remand or to face trial. Impunity in the form of administrative liquidation has reached this level in Chandra Babu Naidu's regime.

It is no longer a secret that this Government is encouraging policemen in these unlawful acts of brutality by rewarding them in various ways. The major incentive was out-of-turn promotions to trigger-happy policemen. This was after a couple of years struck down by the Courts as unconstitutional. But special cash rewards, provision of un-audited and unaccounted funds, preferred postings, etc are the other means of encouraging police brutality.

Torture of very severe kinds is regularly practiced by the police of Andhra Pradesh. It began with naxalite cadre/sympathizers, but has now become a general habit. The living quarters of policemen and police guest houses are used as special torture chambers for unlike police stations, these locations are out of bounds to the public. Giving electric shocks to sensitive parts of the body is a routine form of torture used in the course of police interrogation in A.P.

While the practice of custodial torture and extra-judicial was at least not invented by the Chandra Babu Naidu Government, even if it has been 'perfected' by his regime, the practice of tempting the vulnerable among the cadre of the naxalite parties to turn into counter-insurgents and permitting them to live on crime and extortion under the wings of the police is a policy given effects to on a significant scale by this regime. Armed gangs of former naxalites turned into agents of the police even while still ostensibly working in their party, and came out with their weapons after killing their own 'comrades'. If two of them had not died, one (Sammi Reddy) killed by rival and the other (Kathula Sammaiah) in a fortuitous accident, the situation would have been worse.

Jadala Nagaraju, one of the first of these counter-insurgents belongs to Ramakrishnapur in Manihani Mutharam mandal of Karimnagar district. He was a member of an armed squad of the people's war. On the intervening night of 11th and 12th April 1993, he shot dead the District Committee Secretary of that Party and escaped to join the police. He was given a handsome reward of Rs.10 Lakhs by the Government, and the police saved him from the law by 'investigating' his offence and concluding that it was done in self defence. He now continues his criminal career. He got elected to a local body post (Mandal Parishad Territorial Constituency member) in the Panchayat elections to the middle tier neighbouring village of Khammampalli. At the time of elections to the middle tier Panchayat elections from the neighbouring village of Khammampalli. At the time of elections to the middle tier Panchayat post of President of Mandal Praja Parishad in the year 2001, he abducted some of the electors and forced postponement of the elections. He has a gang of tough-looking young men with him, who move around in fast vehicles and terrorise any one in the villages suspected of having sympathies for the naxalites. But when a case was filed questioning the grant of award to him, the police have been pretending that they are not aware of his whereabouts.

Naveemuddin of Bhongir in Naigonda district was once upon a time a People's War member. He is named as the main accused in the killing of senior police officer Vyas in a daring day light murder in Hyderabad's Fatch

Maidan. The officer was shot dead while taking his morning jog. Nayeemuddin was later arrested, and after spending some time in jail he developed differences with the Peoples' War leadership and surrendered to the Government from inside jail. His bail was allowed unopposed and he now lives in Bhongir in Nalgenda district. He holds press conferences publicly declaring his enmity with the People's War and his resolve to kill that party's leaders if they cross his path. He, however, has a police escort for the reason that he is threatened by the people's War. He moves around in not less than ten vehicles at a time accompanied by his gang and the police escort. It is estimated that his gang's monthly expenditure runs to about Rs.5 lakhs, and the police pays much of it. It was he who killed Purushotham, Joint Secretary of Andhra Pradesh Civil Liberties Committee (APCLC), in the year 2001, and it was he who abducted and tortured that organisation's President Dr. G. Lakshman at Hyderabad in November 2003.

Bayyapu Sammi Reddy, Karimnagar District Committee member of people's War surrendered to the police and lived for a while in Karimnagar. He regularly threatened and terrorized activists of various mass organizations at Karimnagar, eg. APCLC, Telangana Jana sabha, democratic Teachers Federation, etc. Many of them resigned from their organizations, or left the district and moved to Hyderabad. His writ ran with even the Public sector coal-mining establishment, the Singareni Collieries Company in the matter of award of works contracts. His dead body was fished out of a water tank on 18 July 2003. He is believed to have been killed by a rival in the course of one of the numerous settlements of civil disputes between propertied people that he had undertaken. His wife accused Jadala Nagaraju of having killed him.

All these gangs are regularly approached for settlement of civil disputes since it is known that they carry weapons, have no scruples in using them, and are protected by the police. The late Kathua Sammaiah, one of the first of these counter-insurgents, was running a flourishing business of settling property disputes at Hyderabad with the active involvement of quite senior police personnel. Press reports spoke of these connections giving the names of the police officers involved, in the aftermath of Sammaiah's death by accident at Colombo airport in Sri Lanka, but the Government has maintained a studied silence.

Since Chandra Babu Naidu has sought premature dissolution of the State Legislature and elections before time on the principal ground of the fight against naxalism, there is every possibility of this impunity rising to new heights. The police are bound to see the decision of the ruling party as a signal to them to cut loose. Past history shows that the response of the people's War will be to escalate its own violence. Already it has started physically targeting village level cadre its own violence. Already it has started physically targeting village level cadre of the ruling party, killing them for no reason other than that they belong to the ruling party, or it ally the BJP. Its also killing its own cadre with chilling frequency on the allegation that they have turned into police agents. A macabre drama of video-taped confession in custody (or a confession before invited press personnel) is enacted and communicated to the outside world before finishing them off, but that only enhances the cold-blooded quality of the killing. The coming days therefore portend to be quite unpleasant for any one concerned about the basic human right to live.

In these circumstances it has become necessary to insist that the Internal Financial Institutions like the World Bank and other similar institutions to take into account certain facts into consideration before lending money to the governments of the Developing countries. A repressive legal structure, which does not allow room for any dissent or criticism, is a sign of backwardness, as such a state of affairs will not permit any criticism of improper utilization or diversion of the loans granted. It is not open to any international financial institution to facilitate the growth of authoritarian or tyrannical system of governance. The World Bank has become an insufferable governing institution by using its financial leverage to compel countries desirous of receiving loans

to change their Constitutional and/or legal structure. While it governs it is not accountable to the country and its people. Very often the Bank's consultants "rewrite a country's nade policy, fiscal policies, civil service requirements, labor laws, health care arrangements, environmental regulations, energy policy, resentment requirements, procurement rules and budgetary policy"(David C. Korten).

A development process is to enhance their capabilities in all the spheres of life and thus enhance the quality and content of their lives and the loans granted have to be for people oriented policies and not for leaders to aggrandize themselves and those elite who support them in power. We would like to point out that the World Bank is not a free Agent and function quite arbitrarily when these loans are for Development. That word as defined by the people will have to be accepted and adopted. It is open to the Chief Minister to make the receipt of loans from the World Bank an issue, in which case he will have to make a public disclosure of the amounts received and the mammet it was spent for development and subject it to the country auditor the Comptroller and Auditor General and these should be publicized widely. For working definition of the World Bank's Role in development we place before the World Bank the very preliminary observations of Amartya Sen in his "Development AS Freedom": "Development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or overactivity of repressive forces. Despite unprecedented increase in overall opulence, the contemporary world denies elementary freedom to vast numbers - perhaps even the majority - of people. Sometimes the lack of substantive freedoms relates directly to economic poverty, which robs people of the freedom to satisfy hunger, or to achieve sufficient nutrition, or to obtain remedies for treatable illness, or the opportunity to be adequately clothed or sheltered, or to enjoy clean water or sanitary facilities. In other cases, the unfreedom links closely to the lack of public facilities and social care, such as the absence of epidemiological programs, or of organized arrangements for health care or educational facilities, or of effective institutions for the maintenance of local peace and order. In still other cases, the violation of freedom results directly from a denial of political and civil liberties by authoritarian regimes and from imposed restrictions on the freedom to participate in the social, political and economic life of the community".

As can be seen from our narrative the observations of Amartya Sen fully apply to the situation in the State. The World Bank operates in public-political space and it has no independent right to operate, as it likes.

- [World Bank Loans to Andhra Pradesh: Financing bloodshed and impunity?](#)

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# Contacting the World Bank Board of Executive Directors

updated December 11, 2003

The Bank Information Center organized this guide in terms of first, the top 5 shareholders of the Bank, and second, the Executive Director's country of origin. The first country that is listed is the Executive Director's country of origin, though the ED represents all of the countries in that box. Please note that because Executive Directors are rotated periodically, BIC will publish updates on this page as necessary.

When writing to board members, use the following format:

*Full Name, Room Number, World Bank Group  
1616 H Street, NW, Washington, D.C. 20433, USA*

*Two Executive Directors are housed at the IMF, 700 19<sup>th</sup> Street, Washington, DC 20433, USA*

If you would prefer to see this list in a more printer-friendly manner, [click here for a pdf format 2 page table.](#)

All Executive Directors belong to Committees. [Click here to view membership for this term.](#)

Executive Director Contact Information	ED's Country of Origin Other Countries Represented	% Voting Power in IBRD % Voting Power in IDA (as of June 2002)
<b>TOP 5 SHAREHOLDERS</b>		
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Yuzo Harada, MC 12-305 Tel: 202-458-0098 Fax: 202-522-1581 Email: yharada@worldbank.org  Alternate: Masanori Yoshida Tel: 202-458-0100 Email: mvoshida@worldbank.org	Japan	7.89 11.09

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<p>*Pierre Dugesne, IMF 13-118 Tel: 202-623-6505 Fax: 202-623-4951 Email: <a href="mailto:pduquesne@worldbank.org">pduquesne@worldbank.org</a></p> <p>Alternate: Emmanuel Moulin Tel: 202-6236502 Email: <a href="mailto:emoulin@worldbank.org">emoulin@worldbank.org</a></p>	France	4.32 5.00
<p>*Thomas Scholar, IMF 11-120 Tel: 202-623-4560 Fax: 202-623-4965 Email: <a href="mailto:tscholar@worldbank.org">tscholar@worldbank.org</a></p> <p>Alternate: Rosmary Stevenson Tel: 202-623-4555 Email: <a href="mailto:rstevenson@worldbank.org">rstevenson@worldbank.org</a></p>	United Kingdom	4.32 4.40
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**Community Health Cell**

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**Sent:** Saturday, June 19, 2004 12:25 PM  
**Subject:** WTO & Farm Draft + Proposed INDIA-MERCOSUR FTA + Vegoil industry +Farmers' Issu

In The Financial Express, India, June 14, 2004  
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Here Are FOUR News Items -

1. Comment Article On Geneva Process For Preparation Of WTO Farm Draft
2. Proposed INDIA-MERCOSUR FTA - Vegetable Oil And Food Industries Want Safeguards
3. Vegetable Oil Industry Demands Tariff Like To Check Cheap Imports
4. Farmers Voice Their Demands in Pre-Budget Proposals

FARM FRONT Column in the Commodity Watch Page

Can Third World Negotiate Well For Farm Draft?

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=61305](http://www.financialexpress.com/fe_full_story.php?content_id=61305)

ASHOK B SHARMA

In the last two weeks a feeling of optimism has been generated in Geneva for breaking the deadlock in WTO negotiations. Hopes are being centered on successfully producing a framework draft agreement in farm trade by the end of July, which will pave the way for discussions in the WTO ministerial in January, 2005.

This sense of optimism comes from a sequence of events which took place in the last two weeks. The European Union Trade Commissioner, Pascal Lamy and Farm Commissioner, Franz Fischer sent a missive to all WTO trade ministers promising to phase out farm export subsidies provided other forms of subsidised export competition were also eliminated and that there is an acceptable outcome on market access and domestic support. On June 2, the G-20, G-33 and G-10 presented their proposals at a formal meeting.

These developments made both the WTO director-general, Supachai Panitchpakdi and the chairman of the WTO committee on agriculture, Tim Gasser hopeful. They saw a "narrowing down of differences between groups in critical agricultural negotiations." The UN Secretary-General, Kofi Annan

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had appealed to the G 8 (industrialized nations) saying that enhanced trade

may be "even more important" for developing countries in alleviating poverty than increased official development assistance.

Sunachai Panitchpakdi is further hopeful of the negotiating parties taking advantage of the ongoing UNCTAD XI meeting in Sao Paulo in Brazil for furthering the talks on multi-lateral trade and implementation of the Doha Agenda.

There is nothing wrong in being optimistic about any noble cause. The negotiating groups have shown some flexibility. This has made the chairman of the WTO committee on agriculture, Tim Grosser say "the world would be astonished if a balanced framework is not produced." He said "the expectation for a framework does not necessarily guarantee that one will appear by itself. Members will have maximum period of two months to produce it." Grosser feels that an "emerging convergence" can help him to draft a preamble which "would be 80 per cent right." Grosser, however, avoided using the term emerging consensus.

Grosser is right in his own way, but still there are hurdles. The European Union's commitment for phasing out farm export subsidies is with enough riders. EU is conscious about its farm sector, particularly in light of recent OECD study on the impact of the implementation of the Common Agriculture Policy (CAP). The EU last year through CAP proposed to decouple the support given to farmers, irrespective of what they produce. The OECD study points out a sharp decline in net exports and a modest fall in production of main crops covered under reforms. However, the OECD study said that decoupling of support to farmers would result in removing the distortions in global trade.

The OECD study also said farm reforms as proposed in CAP makes no significant cut in overall support to farmers. It does not propose to open up the European market. The farmers having large landholdings will stand to benefit from decoupled payments.

In the prevailing situation the EU, therefore, has linked its proposal to "phase out" (not eliminate) farm export subsidies to action taken by other (to EU's satisfaction) on state trading enterprises, food aid, export credit, domestic support, market access (both for farm and non-farm products). EU is not in favour of capping Green Box subsidies.

The G-20 proposals, this time, seek to balance different interests within the group as well as concerns of other WTO members outside the group. G-20 does not call for any tariff reduction formula, but suggests steeper cuts on higher tariffs with some guarantee of flexibility for some sensitive items and tariffs to be capped with exception of limited products to be agreed upon. It proposes tariff quota expansion for developed countries.

On S&D for developing countries G-20 proposes milder cuts over longer timetable. It calls for flexibility to use a "special product" category under necessary conditions, to be agreed upon in negotiations.

G-33 calls for special safeguard mechanism and S&D for developing countries, member countries right to select special products, exemption of LDCs from tariff reduction, duty and quota free access of LDC products to developed countries. It says that tariff reduction formula should be linked to Doha mandate.

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G-10 is opposed to tariff capping and compulsory expansion of tariff quotas and favours Uruguay Round approach for tariff reduction and fixing of end date for export subsidies provided concerns on market access, domestic support, subsidised credit, food aid, state trading companies are handled in parallel.

Hopes for developing countries rests on how effectively the G-20 and G-33

FTA With Mercosur Group Shouldn't Hit Domestic Veg Oil, Food Industries'

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ASHOK B SHARMA

New Delhi, June 15

Ahead of India preparing to sign a free trade agreement (FTA) with the Mercosur group of countries, the vegetable oil and food industries have cautioned the government to work out the arrangement keeping in mind the interests of domestic industry.

A study conducted jointly by the Exim Bank and the Federation of Indian Chambers of Commerce and Industry (FICCI), however, suggests better prospects for trade in pharmaceuticals, chemicals and petrochemicals.

Mercosur is a regional trading bloc formed in March 1991, consisting of Argentina, Brazil, Paraguay and Uruguay. In 1996, Chile and Bolivia joined as associate members. After the collapse of the WTO Cancun ministerial meet, both India and Brazil have taken initiative to further South South trade. India signed a preferential trade agreement (FTA) with Mercosur on January 25, 2004 to be followed by negotiations for FTA. It is expected that Brazil and India may meet on the sidelines of the ongoing Unctad XI at Sao Paolo for further discussions on the proposed FTA.

Argentina and Brazil are major producers of soyabean and soyabean oils and this has invited grave concerns for the Indian vegetable oil industry as the country prepares to sign an FTA with Mercosur. Soyabean oil has a low WTO-bound tariff rate of 42 per cent. The Central Organisation for Oil Industry and Trade (COOIT) has, therefore, urged that oilseeds and edible oils be kept out of the purview of the proposed FTAs and FTAs. "In case this is not possible, a minimum value addition of 45 per cent should be incorporated for providing a level playing field for the domestic edible oil sector with reference to our tariff, and compliance with minimum value conditions should be strictly insisted upon," said KML Chhabra, executive director, COOIT.

The executive director of Vanaspati Manufacturers Association of India (VMA), S Gurumoorthi, said: "A level playing field for domestic industry is necessary. The industry is suffering on account of the India-Nepal Treaty of Trade and FTA with Sri Lanka. While the Indian industry is paying 65 per cent customs duty on the raw material, crude palm oil (CPO), the producers in these countries are benefited by the twin advantages of duty-free import of CPO and 100 per cent customs duty concession granted by India on import of vanaspati from these countries. India should, therefore, be cautious in signing FTAs with Mercosur and Thailand."

Some experts said it was difficult to assess value addition to the extent

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of 25 per cent and above in vegetable oils and processed foods. Value addition of above 25 per cent would result in under-invoicing of raw materials imported and over-invoicing of the finished products exported

The executive director of the Centre for International Trade in Agriculture and Agro-based Industries (CITA), Vijay Sardana, said: "Converting butter into ghee should not be treated as value addition, but should be viewed as a commodity of the same category under trade. The country of origin of the basic raw material should be considered as a criteria, not the derived product. This is essential to check imports from a third country" Mr Sardana said.

India had good prospects of exporting wheat, wheat flour, barley, malt of

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India had good prospects of exporting wheat, wheat flour, barley, malt of barley, maize, onions, tea and spices to Brazil in return for importing soyabean oil and cotton lint. "But we should be careful in dealing with products where both countries have equal competitive advantages, like in soyabean cakes, refined sugar, molasses, green coffee, tobacco leaves, sugar and mangoes," he said.

Similarly, he said India can export rice, green coffee, cashew nuts, tobacco leaves, tea, spices, fresh fruits and vegetables, pineapples, tomato paste to Argentina and import dry beans, soyabean oil, sunflower seed oil and meat and meat products from that country. "We should be careful in products like wheat, wheat flour, soyabeans, maize and refined sugar where both India and Argentina have competitive advantage, he said.

Veg Oil Cos Moot Tariff Hike on Refined Oils, Vanaspati

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ASHOK B SHARMA/VIJAY IRIVEDI  
New Delhi/Mumbai, June 13

The vegetable oil industry consisting of both the refined oil and vanaspati sectors expressing grave concern over the rising imports have called for an adequate increase in customs duty.

The Central Organisation for Oil Industry and Trade (COOIT), Solvent Extractors' Association of India (SEA) and Indian Vegetable Oil Processors' Association (IVOPA) in their separate memoranda to the Union finance minister, P Chidambaram have urged for an increase in import duty on refined palm oil and palmolein. The vanaspati industry represented by the Indian Vanaspati Producers' Association (IVPA) and Vanaspati Manufacturers' Association of India (VMA) have demanded that the customs duty on vanaspati be raised from the existing 30 per cent to 100 per cent or making it at par with that on imported refined palm oil.

COOIT has asked for "raising the import duty on refined palm oil and palmolein to 75 per cent and thereby rationalising the duty differential between crude and refined oil to a minimum of 10 per cent." SFA has demanded that the import duty on refined palmolein should be restored to 85 per cent as it was prevailing till April 30, 2003. IVOPA has gone ahead of SFA in suggesting that apart from raising the customs duty on refined palm oil by 15 per cent immediately, "special additional duty of 5 per cent should be levied again on refined soyabean oil." COOIT has also demanded fixing of tariff values for imported refined soyabean oil time to time as is being done in cases of imported crude degummed soyabean oil, palm oil and

The import of vegetable oil has increased from \$ 1355.57 million in 2001-02 to \$ 1806.97 million in 2002-03. In the first ten months of the fiscal 2003-04 imports of edible oils (in rupee value) increased by 37.14 per cent over the corresponding period in the last fiscal being at Rs 9823.73 crores. In the last two months global prices have crashed and prices of RBD Palmolein have gone down by over \$ 125 and that of degummed soyabean oil by \$ 165. As a result the domestic prices have correspondingly fallen on account of cheap imports, affecting both the industry and the oilseed growers, the industry bodies said.

However, there is a slight difference of views between the vegetable oil processors or extractors and the vanaspati industry. The vegetable oil processors and extractors want the duty differential for refined palm oil/palmolein and crude palm oil (CPO) should be 10 to 15 per cent as against the current differential of 5 per cent, while the vanaspati industry wants the duty on CPO be further reduced to 25 per cent as was the case earlier under actual user conditions. The vanaspati industry has said that the high tariff of 65 per cent on CPO which is used as a raw material coupled with the low tariff of 30 per cent on vanaspati have rendered them ineffective to face competition from cheap imports from Nepal, Malaysia and Sri Lanka.

The government's stipulations on Beta-carotene content for import of CPO has plagued both the oil processors or extractors and the vanaspati industry alike. They are united asking the government to review this order. They have said that due to long transportation and variance of temperature the Beta-carotene content gets changed and fall below the stipulated level of 500 ppm. The CPO consignment which does not have 500 ppm Beta-carotene are being treated as refined palm oils. Hence the industry is forced to pay customs duty at 70 per cent in lieu of 65 per cent to get the imported CPO consignment released, adding up to the cost. SEA has suggested that instead of the mandatory Beta-carotene stipulation, the government should prescribe the minimum free fatty acid content at 2 per cent.

The vanaspati industry and oil processors and extractors have called for removal of excise duty on refined oils and vanaspati. SEA has asked for exemption of excise duty of Rs one per kg levied on non-conventional oils like rice bran oil, cotton seed oil etc and refining of "indigenous fixed vegetable oils" falling under 1502.00 category. It has asked withdrawal of excise duty on food grade hexane or at least reduce it to 16 per cent for making it at par with petroleum products.

Vanaspati industry want same excise regime for their product as that on refined oils. Industrial margarine and interesterified should enjoy the same excise regime and excise exemption granted to vanaspati units and refineries in Jammu and Kashmir, Uttaranchal, and Kutch district in Gujarat should be withdrawn. COHT has suggested that oilseed, oil and its derivatives should attract maximum sales tax of one per cent. Both COHT and SEA have suggested creation of an Oilseeds and Oils Development Fund.

Agri-India To The Fore With Its Charter Of Demands

Farmers Seek Voice In Pre-Budget Consultations

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ASHOK B SHARMA  
New Delhi, June 13

The organisations of farmers and farm labourers have criticised the pre-Budget proposals made by all agro-based industries like sugar, edible oils, plantation crops, poultry and dairy as not "reflecting the cause of the farmers and the farm labourers". They said that most of the pre-Budget

Proposals made by the agro-based industries are not farmer-centric and are designed to further the cause of the industry.

The farmers' organisations alleged that if the government is serious about the cause of the farmers, the Union finance minister, P Chidambaram should have called them for Pre-Budget consultations. "The finance minister had called for a Pre-Budget consultation with agriculturists on June 4. But not a single farmers' organisation was invited. The finance minister thought it wise to discuss with economists and agro-industries on agricultural issues, forging that the farmers are pivotal in ensuring agricultural growth and for the growth in GDP," alleged VM Singh convenor of Kisan Mazdoor Sangathan.

He said that the farmers are better placed to understand the problems they face and can suggest appropriate remedial policy measures to the government. The annual Budget of the government is not limited to only fiscal concerns, it reflects the policies and programmes of the government.

Suggesting a policy measure for uplifting the farmers in the country, Mr Singh suggested that the existing crop insurance scheme should be revamped. He said that after the seeds are sown the insurance inspectors should make on-the-spot survey at village level. The risk cover should not only be for the damages due to natural calamities like droughts, floods and cyclone but also be extended to reimburse the fall in crop productivity on account of several factors like spurious fertilisers, pesticides and seeds. He said that the crop insurance scheme should cover all crops and be extended to all parts of the country.

Mr Singh said that the Centre should respect the Supreme Court verdict of May 5, 2004 which has allowed the state governments to fix the prices for sugarcane to be paid by millers to farmers. In case the sugar mills are unable to pay the farmers the prices fixed by the state government, the Centre should have a separate budgetary provision for extending loans to mills to clear the payments to farmers. In case the millers fail to pay the farmers in time, legislation should be enacted for mandatory takeover of mills by either the concerned state government or by the Centre.

He said that the system of procurement of rice and wheat for the central pool should be extended to cover all parts of the country.

The Left parties supported All India Kisan Sabha (AIKS) and All India Agricultural Workers Union (AIAWU) in a joint memorandum to the Prime Minister, Dr Manmohan Singh suggested increase in public investment in irrigation, power, infrastructure and science and technology in agriculture. They have demanded that in view of "the disastrous effects of unequal global trade and crashing prices of agricultural commodities, the government must take a firm stand on WTO related issues and must try to rally other developing countries to eliminate the unjust and iniquitous provisions in the agreement on agriculture in WTO."

AIKS and AIAWU suggested that India should reintroduce quantitative

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restrictions on import of those commodities which are heavily subsidised above the allowable minimum in the developed countries. They suggested that India should ask for elimination of all the subsidy boxes - Green Box, Blue Box and Amber Box - in the WTO provisions and fixation of a minimum allowable subsidy on basis of per acre or per capita

AIKS and AIAWU demanded strict implementation of land reforms and distribution of surplus land to agricultural workers and poor peasants. Completion of land reforms must be achieved by abolishing intermediaries, by bringing tenancy reforms such as fixation of fair rent, including the land cultivated by share croppers, by giving security of tenure and ownership rights to tenants. The Centre should introduce a comprehensive law for agricultural labourers guaranteeing employment, minimum wages, provident

and pension, gratuity, leave, accident compensation, and unemployment allowance. There should be low cost housing scheme for farm labourers.

The joint memorandum of AIKS and AIAWU also said that there should be subsidised power supply to farm sector. Stringent steps should be taken against supply of spurious seeds, fertilisers and pesticides. Farm labourers, small and medium farmers should get easy credit at lower rates of interest. The credit-deposit ratio for banks in rural areas should be raised to a minimum of 60 per cent and a minimum of 30 per cent of all institutional credit should go to the farm sector. There should be crackdown on private money lender who charge higher rates of interest. Self-help groups and micro-credit schemes in rural areas should be encouraged. Cooperative credit structure should be strengthened and corruption routed out in the structure.

AIKS and AIAWU further called for increase in input subsidies to farmers, remunerative prices for crops and market intervention by government whenever necessary. They also suggested a comprehensive crop insurance scheme at minimum premium rate, strengthening of public distribution system, promotion of agro-based and food processing industries, animal husbandry, pisciculture, horticulture, sericulture, dairy and poultry farming.

Mr P Chengal Reddy of the Federation of Farmers' Associations (FFA) suggested bringing all farm-related issues under one ministry, Rs 40,000 crore for completion of 400 major and medium irrigation projects, providing tractors to unemployed youths belonging to scheduled castes and tribes and backward castes in rural areas at subsidised rates, waiving off taxes on pesticides, development of wastelands through contract farming, speeding up seed replacement ratio with government assistance, achieving high milk yield in cows, reorganising commodity boards, setting up of commodity boards for all crops, consolidation of landholdings and private sector participation in rural development.

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