

Indian farmers fear new WTO deal

By Ranjit Devraj

NEW DELHI - Agriculture and trade experts in India - a country with 650 million farmers - are not sharing the euphoria of the government at having supposedly pulled off a favorable farm deal at the just-concluded World Trade Organization (WTO) framework negotiations in Geneva.

An official statement released by the Indian delegation at Geneva headed by Minister for Commerce and Industry Kamal Nath claimed that the revised framework for negotiations adopted by the WTO general council in Geneva late Saturday had met key Indian demands. "We got what we wanted. We have been able to protect our defensive as well as offensive interests in agriculture," Nath was quoted as saying by Indian media reports on Sunday.

But the powerful National Farmers Coalition (NFC), which represents 75% of India's farmers and has on board political leaders such as the Communist Party of India's Atul Kumar Anjaan, thinks otherwise. "India and other developing countries should understand that they have been had by the complex technical language which now actually allows the United States and the European Union to increase their domestic support [of agricultural products]," said Devinder Sharma, a spokesman for the NFC. "The exports of these countries can actually be dumped on others."

Sharma said the framework would still work out to have an import substitution effect to the extent that large domestic subsidies would allow for a substantial lowering of prices of agricultural products originating from the US and the EU.

The WTO's 147-member general council adopted over the weekend, in Geneva, an agreement that aims to cut subsidies to farmers in wealthy countries and bring down barriers to the multibillion-dollar agricultural trade. Two weeks of talks ended with a pact pledging "substantial reductions" in the tariffs and subsidies by which Europe, the US and Japan have distorted markets for agricultural-exporting nations. At the same time, the agreement allows countries to protect certain "sensitive products", leaving the details to be negotiated.

While Nath claimed that Indian farmers have been "completely protected as no significant product that would adversely affect our agriculture sector has been allowed access", Sharma said that in practice India, like other member countries, would be compelled to make "substantial improvements in market access for all products".

Sharma said there was a need to look more closely at the "market price support" (MPS) component of these "subsidies". The MPS is the gap between domestic and world prices at the farm gate.

The EU "total support estimate" (TSE) was, according to the most recent Organization for Economic Cooperation and Development report, 121.89 billion euros (US\$146.9 billion) in 2003 and the US TSE was \$94.07 billion.

"But considering the MPS as a true subsidy implies that it is meaningless to align domestic agricultural prices to world prices. These world prices make no sense - they are highly dumped prices and highly volatile," said Sharma.

Close readings of the framework by Sharma and other members of the National Farmers Coalition reveal a sleight of hand made possible by playing on the distinction between authorized levels of

support and actual applied support. "These distinctions are commonly misunderstood by non-specialists at trade talks and seem to have happened once again," Sharma said.

There has also been box shifting from amber to blue and then the green box with misleading interpretations of words like "subsidy" and "support". The EU has substantially reduced its administered prices ("intervention prices") since 2002 and compensated for these reductions by blue and green subsidies.

In WTO terminology, subsidies in general are identified by "boxes" that are given the colors of traffic lights: green (permitted), amber (slow down - ie be reduced), red (forbidden).

In agriculture, things are, as usual, more complicated. The Agriculture Agreement has no red box, although domestic support exceeding the reduction commitment levels in the amber box is prohibited; and there is a blue box for subsidies that are tied to programs that limit production.

The National Farmers Coalition said it would release a detailed analysis of the WTO framework for negotiations and explain its true impact for farmers in India, who have been hit by falling prices and poor returns ever since embarked on a program of liberalization a decade ago.

Indeed, the defeat of the right-wing Bharatiya Janata Party government in elections between April and May was attributed largely to widespread resentment among farmers in rural areas that they had been left out of the benefits economic restructuring.

In states such as Andhra Pradesh - which took a lead in economic restructuring with direct support from the World Bank - many farmers have committed suicide as a result of their inability to repay rising debts and costs of farming inputs including electricity.

Farm experts have attributed the suicides to the emphasis laid on unsound crop-diversification programs promoted by the World Bank as part of structural adjustment, which also resulted in a shift away from staple foods needed for food security to cash crops that meet luxury requirements.

India's new Prime Minister Manmohan Singh, soon after taking office, toured Andhra Pradesh, where he announced release of cash payments to farming families deprived of breadwinners by the suicides.

As with other developing countries that have gone in for structural adjustment programs, India has been steadily dismantling state support for food procurement, withdrawing support to farmers and relaxing land ceilings to enable corporations to move into agriculture.

In contrast with farmers' bodies, India's trade and industry chambers have welcomed the WTO framework. "It is satisfying to see that a number of our concerns have been addressed and reflected in the deal," said a statement from the Federation of Indian Chambers of Commerce and Industry.

The Confederation of Indian Industries said it particularly welcomed increased market access in non-agricultural items and according to its president, S K Munjal, the framework provided a "good basis for further negotiations".

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