

Rev1

## WTO'S RECIPE FOR WORLD HUNGER

*The opening of the South's markets to Northern agricultural produce would destroy Southern agriculture and the livelihoods of billions. The only answer for the South is to do as the North already does : to take collective measures to protect its agriculture, while creating a framework for solidarity in the battles to come, writes Samir Amin*

The problems affecting the future of the nations of the South – predominantly agrarian societies representing, at three billion people, no less than half the world's population – appear not to concern the World Trade Organisation. What does concern it, judging by the issues that have made their way onto the agenda for the Cancun Summit, is opening up markets for the agricultural exports and surplus produce of the North. If there is some discrepancy in the position of the countries of the North over this goal, the effect of this has only been to push the concerns of the South further into the background. Such considerations make it difficult to accept that the WTO agenda was pieced together in accordance with rational and "scientific" criteria.

This article proposes guiding principles for an alternative strategy for nations of the South to adopt, whether in their negotiations with the WTO or outside the WTO framework. The objective of this strategy is to pose a challenge to the current process of globalisation and to contribute to the formulation of a different globalisation that responds to the aspirations of people.

Firstly, it is important to draw attention to the "new agricultural issue" confronting the world today. Capitalist agriculture, which operates on the principle of returns on investment and which is largely restricted to North America, Europe, the southern tip of South America and Australia, employs only a few tens of million farmers. However, because of the mechanisation (virtually at their exclusive disposal) and average acreage available to these farmers, they produce the equivalent of between 10 to 20 thousand metric quintals of grain per farmer and annum.

This productivity contrasts starkly with that of agriculture in the South, which can be categorised in terms of those crops that have benefited from the "green revolution" (fertilisers, pesticides and hybrid seeds) and those that have not. The former produces in the range of 100 to 500 quintals per capita and the latter only around 10 quintals.

At the WTO meeting held in Doha in November 2001 it was decided that agricultural produce constituted goods like any other kind, and, therefore, the same rules of competition should apply to foodstuffs. What are the inevitable consequences of this policy in the light of the gross disparities between the advanced capitalist agro-industry of the North and traditional farming in the South ?

An additional 20 million modern farms, provided they could obtain the necessary acreage, which, of course, would be appropriated from small farmers, taking the most cultivable land, as well as the necessary capital to invest in up-to-date farming equipment, could meet the

food needs of the world's urban inhabitants. What would be the fate of the billions of small farmers who are unable to compete ? Excluded from markets in which they already have only a minimal share, these small farmers would within a couple of decades join the ranks of the rest of the rural poor, which constitutes the most destitute segment of the world's population (three- quarters of the world's malnourished are rural inhabitants). Certainly, industrial Development over the next five decades, even supposing a steady annual growth rate of seven per cent, could not possibly absorb even a third of the billions who would have been rendered without a means of subsistence.

The spectre of such aggravated unemployment and poverty makes it imperative to recognise that traditional farming must continue for the foreseeable future, not out of some romantic attachment to the image of the traditional farmer, but in order to better address the injustices inherent in economic liberalism. Towards this end, policies must be designed to regulate the relationship between the market and small-farmer agriculture. Such policies should conform to the diverse domestic circumstances of the various developing countries or regions, serve to ensure domestic food security and help national or regional agriculture withstand the onslaught of food used as a weapon by the imperialist countries.

Regulating the relationship between international market forces and domestic agriculture would entail protecting domestic prices from the so- called "global market", so as to permit slow but steady growth in domestic farming to control the pace of rural to urban population movement. At the international level, it would entail the conclusion of regional agreements between Europe on the one hand and Africa, the Arab world, India and China on the other, thereby responding to collective rather than separate and potentially divisive development needs.

The WTO claims that market deregulation will benefit all parties. However, even supposing the unlikely prospect that the markets of the North were truly opened up to agricultural exports from the South, whatever benefits would accrue would pale in comparison to the damage wrought on the agriculture of the South by an unstemmable flood of relatively inexpensive produce from the North.

Moreover, in its focus on the terms and conditions of world trade, the WTO excludes other vital issues, such as the right to development. Unrestricted deregulation of foreign trade must inevitably shape the productive systems of the weaker parties and deprive them of their right to development and of necessary protection for their development. Yet, even on the question of subsidies the WTO operates according to a double standard, allowing developed nations to set artificial boundaries between the various components of their industries likely to be affected by such policies, while refusing to accord a similar right to others.

The question of agricultural subsidies pits one against an intricate maze of interconnected provisions in which the lay person can easily get lost. Suffice it to say that this set of provisions, whether "national" in the case of the US, Canada and Japan, or "collective" in the case of the European Union, forms a relatively coherent policy in that apart from a few exceptions it aims to achieve certain objectives. Naturally, one can defend or criticise this policy and its objectives from various standpoints, just as one can debate the efficacy of the means to obtain those ends. This debate, however, must be grounded in true economic principles, and not merely in the speculation of liberal economics.

According to WTO figures, government subsidies on agriculture in 1995 amounted to

US\$260 billion. At least 90 per cent of these outlays were made by the "triumvirate" of the USA and Canada, the EU and Japan. This is an enormous figure no matter how we gauge it: as a ratio to the number of farmers who benefit, to the acreage of land under cultivation, to the market value of specific produce or to gross production.

The WTO classifies public expenditure on agriculture into four categories, which it labels red, orange, blue and green. This classification is based on the impact of the expenditure on production, and, particularly, on the prices of the agricultural produce (cost of production, price at source and consumer price). In the red and orange categories, the WTO lists expenditures that it maintains affect prices, and in the blue and green categories expenditures that have no impact on prices. Of the total of US\$260 billion spent, US\$124 billion is listed under red and orange, and US\$162 billion under blue and green.

This categorisation is significant because the deregulation measures for agriculture only target the first two categories of expenditure. These are the outlays that the WTO wants to see gradually reduced in accordance with a schedule agreed through negotiations conducted within the WTO framework. Governments will retain the freedom to maintain, or even to increase, outlays categorised as blue or green.

This arrangement, in practice for nearly 10 years, places the US in direct confrontation with the EU, Canada and Japan. The US has only 12 per cent of its public expenditure on agriculture listed under the red and orange categories, as opposed to 55 per cent for the EU, 48 per cent for Canada and 54 per cent for Japan. This means that the latter three countries or regions will have to do much more to conform to the deregulation process called for by the WTO than will the US.

The details of these categories of agricultural expenditures were agreed upon following negotiations in the semi- secrecy of the Chamber of International Commerce (the Multinationals Club) and an exchange of views between the EU and the US. But, beyond the element of secrecy, one must also ask why the Europeans agreed to a method that places them in such a weak position with respect to their main competitor/partner, the US. The only answer I have is that they must have thought that this served the interests of the imperialism of the triumvirate as a whole. However, whatever the reasons may be, the confrontation between the EU and the US, which consumes a major portion of the discussions within the WTO, should not concern the South, since the opening of its markets to either of the two rival parties will have a destructive impact on the agrarian economies of the nations of the South.

Of greater relevance to the South is the fact that the logic behind the WTO categorisations of public expenditure on agriculture does not hold water. As far as the South is concerned, the four categories can just as well be lumped into a single black box: one only has to look at how arbitrarily outlays are listed under the four categories to realise the logic behind the agricultural policy and whose interests it serves. Indeed, the artificial categorisation itself is the product of the Byzantine pseudo-analysis of abstract economics, a metaphysical hair splitting that differs little from the scholastic debate over the "sex of angels" or the "colour of a logarithm".

For the fact is that all government expenditures have an impact on the volume and efficiency of production and, hence, on the prices of goods. Indeed, that is the purpose of such outlays. Some examples of the type of expenditure labelled "green" should make this clear. Food aid

to the poor, which in the US, for example, amounts to more than US\$20 billion and is intended to spare 10 per cent of the populace from starvation, creates an additional market for agricultural produce and without such subsidies the demand represented by the poorer segment of the population would remain unbacked by purchasing power.

Food aid, the distribution of free milk to school children and other such subsidised purchases, can easily be defended in the name of social security provision or improving the efficacy of the labour force through better nourishment, but there is no denying that such outlays have a direct impact on agricultural production and prices. In addition, other agricultural subsidies listed as "blue" or "green" aim to limit or reduce surplus production. Compensating farmers for leaving tracts of their land uncultivated is one such form of subsidy. The subsidised stockpiling of surplus yields is another means by which surplus production can be offset, and measures of this type, too, have a direct impact on production and prices.

However, less obviously linked to production and prices are income supplements or tax reductions aiming to raise farmers' incomes to the equivalent of a middle-class urban salary. Public expenditure, are indicative of a form of intervention aimed at income redistribution, and, hence, at the modification of the demand structure. Such indirect intervention is also certain to have an impact on production and prices.

Clearly, then, the boundary drawn by the WTO between those government expenditures that have an effect on the prices of agricultural produce and those that do not is a false one. Rather, it is a form of alchemy conducted in the realm of abstract economics and used in practice to further a particular objective as circumstances dictate. In this case, the boundary has served as a means by which the North have built up the advantages its agricultural sector, and other economic activities, has acquired over potential competitors from the South. These advantages are structural ones.

The success of EU and US agrarian policies in increasing their agricultural productivity has generated surpluses far in excess of the absorptive capacities of their markets. The pressures now being exerted to "open" the markets of the South to EU and US food and agricultural products are part of these countries' offensive to export these surpluses, and the WTO has lent itself as an instrument towards this end.

In this context, we must regard the potential for flooding markets as another structural advantage of the agriculture of the North. Flooding can be encouraged through a variety of transparent, as well as opaque, ways. The direct subsidising of exports is a transparent means; less obvious is the dumping of accumulated stockpiles on international markets at marginal prices claimed to reflect the "actual price" of the goods. While many would dispute the argument that "food aid" programmes to developing nations are another method by which markets can be flooded, given that such programmes ostensibly serve humanitarian purposes, nevertheless they do contribute to debilitating the capacity of local agriculture to confront food deficits.

Against this relentless onslaught, the countries of the South have the right to take measures, even strict measures such as banning imports or imposing import quotas, to protect their domestic agriculture. And, conversely, one could also ask whether they could not take advantage of the flooding process in reverse, using cheap surpluses, to compensate for shortages in food production. The danger here, however, resides in the fact that such

an opportunity, even if it were to present itself, would delay efforts to achieve necessary reforms in national agrarian policies.

There are other aspects to the aggressive policies of the North that should be taken into account. Of particular concern is the monopoly that capitalist agriculture seeks to reinforce by imposing the use of certain seeds under the guise of protecting intellectual and industrial property rights. Such policies the South must resist adamantly, because the consequences extend beyond the realm of economics. Indeed, the practices that liberal economists defend so ardently in effect constitute a flagrant plundering of the knowledge that the farmers of the South have accumulated over thousands of years. Moreover, they threaten biological diversity, and some of the seeds, such as those that have been genetically modified, may eventually pose grave environmental and health risks.

Let us be perfectly clear: the Americans and the Europeans, like every other country or group of countries, have the right to formulate national or collective policies. They have the right to protect their industries and their agriculture, and they have the right to institute income-redistribution measures to meet the demands of social justice. Certainly, too, the controversies surrounding existing or possible policies within these societies, and the methods of resolving them, are a fundamental feature of democratic government. However, to argue for the dismantling of the edifice supporting such rights in the name of some hypotheses of abstract liberal economic theory that have no bearing on the realities on the ground is another matter entirely. Should we, for example, demand that the industrialised nations reduce their levels of education and training, or their capacities for research and development, so as to bring them into harmony with less-developed countries on the grounds that their advantages in those domains have given them a competitive edge in world trade?

Regretfully, the strategy for which the nations of the South have opted, which is to let the North set the rules of the liberal game, makes no sense. Nevertheless, this is the strategy that the World Bank and others have advised us to adopt, perhaps precisely because it is ineffective, and will never be effective, since liberalism in economics exists nowhere apart from in the imagination.

Indeed, the rhetoric of economic liberalism focusses on competitiveness solely at the level of the firm, whether in agricultural, manufacturing or service industries, or at best at the sectoral level. It fails to comprehend that the overall competitive capacity of the productive systems of nations largely, though not entirely, determines the competitive capacity of the various sectors of their economy or firms. Put otherwise, blinkered theorising on relative advantages in foreign trade ignores the dynamics of the transformations affecting the competitive capacity between nations, and, hence, their place in the hierarchy of the global economic order.

The competitive capacity of nations is a product of the diverse forms of public expenditure that form the overall context, including infrastructure, the quality of education, professional training opportunities, the capacity for technological development, etc., within which producers operate. Public expenditure also forms a link between production systems and income-distribution and redistribution systems. These two dimensions are inseparable, just as it is impossible to separate economics from politics, understood in the sense of the relationships of power within a society and the conflicts that ensue to alter these.

Having discussed the volume of public expenditure made on agriculture in the nations of the

North, it is also useful to note that these outlays pale in comparison to the expenditures made in other fields. Military expenditures alone, for example, at US\$600 billion, approximately half of which is accounted for by the US, amount to more than double what is spent on agriculture, and this does not take into account the enormous indirect support given to military industries and certain civilian industries, such as aerospace and communications.

Expenditures on infrastructure, which affects the efficiency of production in all sectors, is also much greater than is expenditure on agriculture, and the same applies to social expenditures on education, training, research, health, social insurance and the like, all of which determine to a great extent the relative competitive capacity of nations. In addition, total public expenditure, at no less than 40 per cent, represents a large proportion of the GDP of the advanced capitalist nations. This fact alone puts paid to the credibility of the liberal rhetoric that views economics as a world virtually independent from the state. It also puts paid to the notion of "real" versus "unreal" prices, since all prices are "real" in that they reflect the reality that the economy cannot be separated from society.

The unequal competitive capacities of national systems, or of regional systems when these are fully formed, in turn control international relations and the processes of globalisation. No nation has been able to exist "outside" the processes of globalisation for many years, though not all have benefited equally from them. Indeed, so intertwined has everything become that it is no longer possible to distinguish between those national structures and policies that affect the competitive capacities of national systems of production without affecting patterns of international relations, and those that impact on international relations directly.

It is against this background that the countries of the South must develop a national or regional strategy for improving the competitive capacity of their overall system of production and for selected branches within that system. At the same time, they must develop protective structures in the broader sense, rather than merely at the level of customs duties, in order to protect themselves against the stronger, and hence more aggressive, partners in the global order. I have called this a strategy of "disengagement", not in the sense of withdrawing from the process of globalisation through self-sufficiency, but in the sense of the struggle for a globalisation that is other than that currently being imposed by an economic liberalism that can only work to strengthen and expand the advantages of the strong. In other words, what we must do is to demand the right to do as others -- the strong -- do, which, in spite of their rhetoric, is to build strong and effective national and regional policies and to protect these policies.

Rising to this challenge entails, in addition to examining each of the problems before us, especially those raised on the agendas of the WTO and of the Cancun Summit, developing an alternative vision of the agricultural policies of both the North and the South, and, consequently, of the system of global exchange. Certainly, the countries of the South do not possess the means to respond to the challenge by adopting the agricultural policies applied in the North. Even if that made sense in their current circumstances, and that is questionable, they do not possess the means to support their agricultural production, and their income redistribution capacity is limited by low income levels and by financial constraints on national budgets.

However, this by no means obviates the need for agricultural development policies that hasten improvement in production while simultaneously averting adverse social consequences, such as rapid rural-to-urban migration and the spread of shantytowns. Such policies must also aim

to fulfil certain national goals, foremost among which is food security at the national and/or regional level.

It is also obvious that discussions on national and/or regional policies must be as open and transparent as possible, in order to ensure proper public awareness of the interests and concerns being advocated or defended. For example, protective measures can be beneficial or harmful : protection can be harmful when it serves to support activities with poor competitive potential, or to sustain them regardless of their inefficiency; but protection can have a positive impact when it serves to safeguard processes of transformation that promise improved performance, or reduced inefficiency.

For the South to opt for a strategy that conforms to liberal rhetoric and dismantles national controls while improving only apparent competitive capacity in global trade exchange, would be to choose failure, and it would certainly be a strategy without solid foundations. The alternative, which is the only effective response to the true challenges that confront the nations of the South, is to secure the right to do as others do. However, there is also a prerequisite to securing this right: the will to create effective national policies. If the nations of the South succeed in this, then it follows that it is their right, indeed their duty, to safeguard such policies through the most effective means. While these may include direct forms of protection, such as appropriate customs duties and quotas, the optimum form of safeguarding can only be achieved through a coherent national policy coordinating subsidiary policies across a range of areas, notably in the management of the national currency and of exchange rates.

Finally, I would like to stress the importance of creating an institutional framework for restoring solidarity among the nations of the South. Such a framework would greatly enhance the South's ability to wage necessary battles in the WTO and in other organisations steering the processes of globalisation, notably the IMF.

Above all, in fighting these battles we must not succumb to any illusions about the nature of these organisations, which were tailor-made by the dominant forces in the world in order to safeguard their supremacy and to forestall true opportunities for development, which has never been a concept recognised by the ideologues of liberal economics.

*\* The above article is a slightly amended version of a message delivered by Samir Amin to anti-capitalist globalisation activists in Cancun, during last week's failed WTO meeting at the Mexican city.*