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India's Agrarian Economy And New Contradictions Following Liberalization

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Following Independence, the nature of the principle contradiction in the agrarian economy was fairly clear. The principle contradiction was that between the mass of the working peasantry and labourers on the one hand, and on the other hand the minority of landlords, traders and money lenders who monopolized control over land and money-capital, thereby exploiting the peasantry through rent, interest and exorbitant traders' margins. This contradiction had indeed been present earlier too and had been part of the general contradiction between the Indian people as a whole and imperialism; but in the post-Independence period it came to the fore and determined the immediate agenda of the democratic struggle. The principle contradiction was no longer as earlier, that between the Indian people as a whole, and imperialism and its local comprador allies. While imperialism was by no means dead, it was on the retreat in the context of the Post-War shambles that was the advanced world, and decolonisation allowed space for third world countries like India to try to de-link from the earlier international division of labour under which they had been completely open and liberalized economies geared to metropolitan growth, not national growth. They could now protect their economies and undertake state intervention in the interests of national development- in which they were helped by the existence and aid of the socialist camp. The old liberalisers were silenced; the new liberalisers had not yet appeared.

In the agrarian sphere in India the resolution of this principle contradiction, namely that between the landlords and the mass of the peasantry, was tied up closely with the solution of a number of the important secondary economic and social contradictions. The principle contradiction implied that the need of the times was to break land monopoly by measures of effectively re-distributing land from the landlords to the land-poor and landless, to break the monopoly of credit and marketing through co-operative institutions in channeling credit to the credit-starved and setting up non-profit marketing institutions between producer and consumer with the aim of stabilizing prices for both. It was essential that the principle contradiction should be talked boldly in order to resolve the other important and related contradictions.

The other important, related contradictions whose resolution depended on how the principle contradiction was dealt with, were many. There was the contradiction between the paucity of productive investment and hence the low level of productive force in agriculture on the one hand-not because economic surplus was inadequate but because it was used unproductively-and the imperative need to increase the total grain output for feeding the rural population itself at higher levels, and at the same time to increase the commoditised portion of grain needed as wage-goods for the new industrial thrust, on the other. There was similarly the contradiction between the inadequate growth of raw materials and the need to continue some exports on the one hand, and the raw materials needs of growing domestic industry. There was the contradiction between the deep poverty-overwhelmingly rural in nature- and low standards of material life in the village on the one hand, and the need to expand the internal mass market and make industrial expansion and overall development self-sustaining on the other, which was only possible through measures increasing mass purchasing power. There was the contradiction between the continuing caste, class, gender and other social types of oppression in a particularly intense form in rural areas on the one hand, and the very constitutional basis of the Indian polity which considered every citizen to be equal and to have equal opportunities regardless of caste, class, gender and so on. The moment we spell out these contradictions we can see the multifarious links between the principle and other contradictions, between free of imperialist pressures.

The non-left political forces, economists and planners in India however have consistently underestimated the role of effective re-distributive land reforms for breaking the economic and social power of the rural landed minority, thereby widening the social base of rural investment, and raising the rate of growth of both retained and commoditised output. They underestimated its importance for laying the precondition of measures of mass poverty reduction and for providing an expanding market for industry, and its importance for reducing the old class, caste and gender based forms of inequalities which express themselves in high levels of illiteracy, declining sexratios, atrocities against dalits, and the persistence of child labour. Only in some states where the Left movement has been influential were some measures of land reform undertaken, with a very positive impact despite their relatively limited nature. While the achievements of forty years of planned development in India were in many ways substantial, its economic and social failures therefore have been equally glaring. These lay in the inability to substantially reduce mass poverty, which is particularly concentrated in rural areas; an insufficient growth of the internal mass market and hence the emergence of pressure to seek external sources of growth in collaboration with foreign capital. At the same time international developments leading to the re-emergence in the advanced world from the late seventies, the relative political unity achieved by the national bases of this finance capital (by subordinating inter-imperialist rivalry, to common aims vis a vis the third world), the aggressive use by finance capital, of the super-national Bretton-Woods institutions for implementing its aims, and the collapse of the Soviet Union, have together led to a highly favourable conjuncture for imperialism ,which is once again aggressively trying to re-colonise the third world and has substantially succeeded in many smaller countries. In recent years however tendencies of resistance to the dominance of finance capital have also started emerging in varied ways.

The new liberalisers arrived on the scene in Latin America and Africa many years ago; they have been stridently pushing the theories and practice of the new liberalization in India since the beginning of the nineties. The old imperialism was transparent because there was direct political control, while the new imperialism is less transparent and therefore in many ways, more dangerous. The new liberalization differs from the old coloinal liberalization in at least two respects: it has a strategy of improving further the economic position of the third-world rich at the expense of their fellow-citizens, which has materially corrupted the elite of our country; and it has an ideological thrust in terms of wrong theories, which has intellectually suborned the same third world public figures and intellectuals who were earlier supporters of independent growth, but who now parrot the mantra of liberalization they have memorized from their advanced country mentors. The new compradors are following anti-national theories and polices no less than the old compradors had done. It is extremely important for those who are within the Left movement to fight the revisionist tendencies creeping into the movement which lead to a 'soft' stance on liberalization. To support any aspect of liberalization even for pragmatic reasons is equivalent to political liquidationism.

We would argue that with these developments, in India the contradiction between the Indian people and the new imperialism is becoming intensified. In the agrarian sphere the emerging new contradiction is now between all the peasant classes in rural areas on the one hand, and imperialism with its local landed collaborators on the other hand. The earlier contradictions have to be seen now as expressing themselves in new and more intensified forms in the context of the new imperialism and its assault on the economy. If imperialism in the shape of the Transnational Corporations co-opts the landed elites into its strategy-as it appears to be doing to a large extent-then the struggle against imperialism and the struggle for land are no longer separate but they begin to converge. For example, both the TNCs and the local capitalist firms engaging in the new agri-business want a rolling back of the legislation on the land ceilings so that their enterprises can expand at the expense of the livelihood of the ordinary mass of farmers. This is where their interests converge with those of the landlords. All these groups engage in blatant land-grabbing and in private appropriation of common property resources. Any acquiescing to land ceiling exemption for these groups is equivalent to betraying the interests of the working peasants.

At the national level too the paramount question is whether there can be sufficient resistance to imperialism to salvage some degree of autonomy for following national development goals, or whether the long struggle for independence for which so many people sacrificed their lives and worked so hard, is to end in the Indian economy and society being forced to lie down in supplication before the advanced countries, to suffer the punishing regime of lowered real incomes, high unemployment, loss of its national assets, and loss of its food self-sufficiency, all to the benefit of international finance capital based in the advanced countries (as indeed the South East and East Asian economies have been forced into owing to their earlier unwise policies of excessive integration into world markets for goods and capital). Independence, or a financially dependent neo-colonial status: that is the question.

The impact on Indian agriculture of the new liberalization, including subjection to GATT’ 94 discipline administered through the WTO, has to be analyzed bearing the above context in mind. We will start with the question of foodgrains self-sufficiency and food security and then go on the illustrate the effects of liberalization on cash-crop producers and on industry.

Food self-sufficiency and food

Security under liberalization

The advanced Northern countries have very limited agricultural production possibilities owing to their cold climate, which means there is only one natural growing season unlike, the two growing seasons we enjoy in sub-tropical and tropical lands. All they can produce is cereal crops like wheat, barley and, maize, root crops like turnips and potatoes, and some vegetables and fruit in their summer months. They can produce nothing in their winter months and before they colonized India and other tropical lands, their populations had a very poor, monotonous diet, no fruit and vegetables in winter, only harmful alcoholic drinks, and a limited range of clothing and furnishing materials because they could not grow cotton or hardwoods. The external expansion o the West European and their subjugation of other lands had great deal to do with their won poor resource base. After colonization and forcing the third world countries to export their products, much of it as a form of tax hence without any payment, the advanced countries became ‘advanced’. They could have a diversified diet, non-alcoholic and non-harmful beverages and stimulants (fruit juices, coffee, tea, sugar etc), a range of clothing materials using cotton and mixtures, and use of tropical hardwoods for furniture. The East European countries however which did not colonies or enslave anybody still have to this day a much poorer, less varied, local products dependent and seasonally constrained pattern of consumption.

The advanced countries have thus always been eager to use the rich, botanically diverse lands of countries like India to satisfy their own needs. But they have never put in investment to raise the yield of the foodgrains the local colonized people ate. They relied instead on converting the food-growing area (area actually already growing food or potentially capable of doing so) to the crops they wanted which were then imported by them, much of it without any payment in foreign exchange, as the commodity equivalent of taxes on colonized populations. As a result of such policies the food output growth slowed down, fell below population growth and the food available per capita fell disastrously in every colonized region without exception. Thus Java under the Netherlands saw a more than 25% fall in rice output per head between 1900 and 1945 while exported cash crops grew very fast. Korea under Japanese control saw a fall in domestic food availability because 65% of its rice was sent to Japan by the thirties. Food availability fell in India too by nearly 30% between the two wars (and by 25% comparing 1900 and 1950). The possibility of mass famine raised its head and actually took place in regions of the maximum availability decline.

The advanced countries today are equally keen as before that third world countries should produce crops not in accordance with their own needs but the need of the advanced country populations. They want us to make our lands available for their own use: that is what their pressure for trade liberalization and export promotion from agriculture in our country and in other third world countries, is all about. In short, they wish to recolonise our agriculture and are exercising pressure through debt-conditions to do so. They want their pound of flesh. Their own lands are a useless as before and can grow the products earlier mentioned, for no amount of capitalist growth and innovation can alter the fact that their fields cannot grow anything at all in the winter season, and cannot grow tropical crops at any time, not even in their summer. They therefore want to import from us not only the usual tropical crops but also in winter, their summer fruits and vegetables they are familiar with, which we can grow in winter and they cannot. This is necessary for them to avoid any seasonal variation in supply. They also want vegetable oils; animal feeds like soya cake, lean meat, prawns and seafood etc.

The advanced country supermarkets have today a year-round supply of fresh produce obtained from dozens of third world countries whose producers are under contract to the trans-national food companies based in advanced countries. An average super-market in the USA or in W Europe carries about 12,000 items of food in raw or processed form. Their consumers do not know what seasonal supply variation means. Moreover they want all this at the cheapest rates possible, so every developing third world country which is indebted is obliged by the IMF and World Bank ‘conditionalities’ to follow policies of agro-exports, and since there are at least 8- such indebted countries at any given time they are made to compete with each other to increase supplies. They are also told to devalue their currencies not once but repeatedly on a competitive basis so that dollar prices of the imports from developing countries into advanced countries get cheaper and cheaper. The advanced countries are as before not in the least interested in what happens to our food security or the food security of other third world countries as our lands as converted to the products they want. At the same time as they demand a complete liberalization of our agriculture, through the Fund-Bank they put pressure on us to cut back on investment by cutting government expenditures. Investment in irrigation and crop research, vital for the traditional food crops in our country is stagnant or falling and grain yield does not rise enough to compensate for area decline with the shift to export crops. Total cultivated are has started falling from 1990 as the pressure of commercial and residential construction grows, and total sown area is also stagnating. We are now in this respect following China where total sown are had similarly started stagnating from the late seventies. Under such conditions of stagnant sown area, an export thrust means there is bound to be conversion of food crop area to export crops exactly as happened in colonial times and a decline in per head food production.

This has been precisely the outcome between 1990-1 and 1996-7 as the attached Table 2 shows. The population growth rate is around 1.9% and the food grains growth rate has fallen below this for the first time in thirty years, since the 1960's. We predicted in end-1992 that this was going of the Latin American and sub-Saharan African countries which have already seen a decline in per head food output, sharply so in the latter regions, and the emergence of famine conditions for local populations.

Food price inflation is Inevitable with liberalization

The effect on food prices of the new policies under SAP were felt immediately after the minority Congress government assumed power in mid 1991, for it raised the issue price of food grains from the fair price shops to consumers, to a greater extent than it raised the procurement price paid to farmers, in order to cut the food subsidy. It kept raising issue price steeply until 1994, so that wheat and rice price was 85% higher compared to 1990. The steep food price rise however backfired on the government because, not able to buy from the ration shops, a large segment of the consumers were priced out of the mis-named 'fair-price shops' and they moved into poverty; the number of poor people rose by at least 30 million. As may be checked from Table 3 the off-take dropped by 9 million tones between 1990 and 1995 and stocks built up even faster because procurement remained good. The cost of holding larger and larger stocks of grain meant that the subsidy was not going to the consumer subsidy was down to 60% of the total by 1995. This was a case of the greatest bungling ever seen in the history of the PDS, and a direct result of the Fund-Bank pressure to cut subsidies. The storehouses were bursting with grain and at least 30 m. more people had been pushed from regular poverty even deeper into nutritional poverty.

Cutting subsidies on food, health and education which benefit the masses is part of the neo-liberal theology, and goes hand in hand with their advocacy of giving more spending money to the already well-to-do by way of lower taxes on them and making the already well-to-do by way of lower taxes on them and making the latest consumer durables available to them. Shifting incomes, however unequal they already might be, even more towards the well-to-do is part of the largely successful political strategy of the Bretton Woods institutions for winning the support of local elites in third world countries for 'austerity' measures, viz. policies of reducing state development spending and cutting social expenditures. Their policies may be summed up as austerity for the poor, and more spending money for the well-to-do. The economic ration-able is very clear more incomes in the hands of the top 10% or so constituting the elite of the given population means a larger market for the white goods, automobiles, cellular phones, processed foods etc. which Northern countries would like to sell, whether by exporting them to the third world country or by setting up units within the country for the local market. India on account of the large absolute size of its so-called 'middle class' is an attractive market and moreover most of the Indian elite ha an ape-like propensity to imitate, in this case Northern consumption patterns and is thought to be amenable to the strident advertising campaigns which we have seen in recent years. Policies which increase the share of incomes going to the top 10% of the population and expand this market are thus pushed under the guise of other arguments derived from 'supply-side economics', (for example because it would allegedly raise the savings rate in the economy).

Mass income growth being reduced however is desirable from the Northern countries' point of view because they would like to see a larger share of India's highly bio-diverse land resources, being devoted to the non-foodgrain crops they cannot for climate reasons produced in their own countries at all, or not in sufficient amounts and which they wish to import. If mass rural incomes rose faster, so would India's domestic demand for basis foodgrains. We had earlier estimated that with as egalitarian an income distribution and the same level of per head food consumption as China had in 1985, India would have needed at least 250 million tones of foodgrains to satisfy internal demand compared to the 150 million tones actually rural incomes and purchasing power, more land and resources would automatically be devoted to the foodgrains owing to the market mechanism itself.

But this is not a desirable outcome for the Northern countries agenda: they pressure for policies to deflate mass incomes, to remove all barriers to export and import from third would agriculture, for a complete opening up in the same way that India was a completely open economy in the colonial period. Complete openness means allowing the powerful magnet of international demand with its own particular commodity structure, to restructure the way Indian farmers utilize their land in terms of cropping, to meet the requirements of the handful of advanced countries which by now concentrate 83% of global purchasing power. The Indian rural masses with their non-expanding purchasing power cannot compete in the global market with the US and Japanese consumer with 80 times their per capita income, or the European consumer with 60 times their income. They see their own land being bid away for advanced country use; they are economically disenfranchised in their 'own' country.

This process had historically taken place by lowering basic foodgrains absorption of the masses of third world populations. The same mechanism of lowering mass staple grain consumption can be seen today in the countries of Sub-Saharan Africa and many countries in Latin America, as they follow an exports-first policy. Sub-Saharan Africa has had one of the fastest growth rates of agricultural exports in the last fifteen years, and has 'succeeded' thereby in lowering per head food production by over one-sixth. The countries worst affected in SSA are perpetually on the verge of mass famine and episodes of drought means more food aid, enmeshing the region even deeper into indebtedness and conditions of greater export thrust and of allowing even freer flow of international capital. Yet the gross facts are ignored by the Northern 'experts' on Africa; the preferred solution of the international aid and health organizations is to control African population growth alone while continuing to exploit the vast natural resources of the region for maintaining high Northern consumption levels. A similar reactionary exclusive emphasis on population control rather than output rise, lies at the heart of the neo-liberal health agenda for countries like India.

In fact the advanced countries want us to lose our food self-sufficiency and become increasingly import-dependent, to become market for their food grains, of which they have a glut. They also have a glut of dairy products and expensive processed foods. The advanced countries organized in the OBCD absorb only 66 per cent of their own coarse grains output, for the rest they have to find export market. They absorb only 80 per cent of their own wheat output and have to export the remainder. Having in the early nineties lost large markets in East Europe and Russia owing to the economic collapse of these regions, they had at that time targeted successfully the South East Asian countries as compensating markets for their coarse grains and wheat by pressurizing governments, as in the Philippines, to give up their public distribution system and open up to trade. However in sheer size the Indian economy is not attractive for them. They had started targeting the Indian market from 1995-6 and are exercising pressure through WTO that we should phase out and remove all the quantitative restrictions on imports (of foodgrains, dairy products and other crops) much faster and hence much earlier than we were originally committed to doing by signing GATT in 1994.

Very recently the collapse of the South East Asian and East Asian markets for US and Continental cereals from 1997, means that the potential Indian market for food grains and processed food has become even more important to the advanced countries. The government team which has been negotiating the time-frame of removing quantitative restrictions (QRs) finds that the USA in particular is absolutely obdurate in demanding a much shorter time frame for giving up QR's. Important cereals like rice have not previous 'tariff bindings' i.e., minimum levels of tariffs on QRs being removed; the tariffs will have to be negotiated, and we can expect intense pressure from the leading imperialist countries for nominal tariffs, viz. throwing the Indian economy open, as it was in colonial times.

Before proceeding let us cast a look over the policies followed in the phase of protectionism and state intervention of development. At Independence, the country inherited a war-time food-deficit situation and was dependent on net imports, which was on average 6% domestic cereal production in the decade of the fifties. This dependence increased in the first half of the sixties to 8%; naturally, therefore national policy put emphasis on raising food production and achieving food self-sufficiency. Varietal improvements in the commercial non-food crops and some rise in their yield did take place, but these were subordinated to the overwhelming attention given to increasing the yields of the cereal crops and raising output fast under the new strategy from the early sixties, which received a further impetus from the very poor harvest of 1965-66 leading to a large drop in per head food availability and to famine conditions in Bihar. The years 1966-70 saw the highest dependence ever by India or grain imports, nearly 10% of domestic output, the imports being mainly from the USA under its PL480 provisions. (Table1).

This was certainly an undesirable state of affairs; food is always used covertly if not overtly by donors as a political-ideological weapon, and retaining 'food sovereignty' is thus a very important part of political sovereignty. {we saw Bangladesh during its 1974 famine being blatantly pressurized not to trade with Cuba as the price for US food aid}. Within a decade as the green revolution fructified in North India, however Indian achieved 'self-sufficiency', and in indeed became a small net food exporter during 1976-80, though at the expense of greatly increased regional concentration of grain output and increased income inequalities. Per capita food availability is today about one-fifth higher than in 1950 (see Table 1). The decade ending 1996 has seen very small net import not exceeding half percent of domestic output. Needless to say this did not imply that nutrition needs of the poor were any better satisfied, since no broad-based land redistribution took place, so that income inequalities continued and increased further owing to the inability of any but the well-to-do cultivators to invest own and borrowed funds on the basis of reasonable interest rates. Nevertheless self-sufficiency has been an important positive development compared to earlier import dependence.

The green revolution brought in new class contradictions in the villages and a sharpening of old contradictions, owing to violent spates of small tenant evictions with the conversion of erstwhile feudal rentiers to capitalist landlords, resulting in the class rural labourers growing as a share of rural population, and large-scale migration of low-wage labour to higher wage areas. The minority of well to do peasant farmers, having obtained some benefit from initial land reforms stalled and sabotaged further reforms to benefit the landless and really land-poor, except in a few states where committed left governments ensured registration and security of occupation as well as flow of institutional credit to the disadvantaged. Environmental and nutritional criticisms of the HYV mono-culture and the toxic fertilizer-pesticide technology of the green revolution point to the many adverse effects-excessive emphasis on cereals to the neglect of pulses resulting in a halving of pulse output per head, the destruction via HYV monoculture, of the earlier organic poly culture of a range of subsidiary and drought-resistant crops which enabled farmers to reduce risk, the reduced fish raising capacity of paddy fields sprayed with chemical pesticides, and so on.

Consumption data show that apart from the reduction or complete disappearance of a number of hitherto free nutrition sources, the physical intake of even the cereals by the poorest 30 per cent of the population, which is overwhelmingly rural, has no gone up in 50 year; we may safely infer that the increase in the average per head grain availability which has taken place has basically gone to increase indirect grain consumption by the well to-do in the form of conversion to animal products. The need to increase mass purchasing power to reduce hard-core poverty remains as urgent as ever.

In recent years, from the partial liberalization of the late eighties and the active trade deregulation starting in 1991, we see the emergence of a new phase of ‘exports-first’ policies which are generating yet newer contradictions and in the agrarian sphere is marked above all by greatly reduced concern with grain self-sufficiency, thus jeopardizing the only important positive achievement of agrarian policies in the preceding four decades. There is new controversy regarding the benefits or otherwise of integration into the global market, with the formerly strident pro-liberalisers now somewhat subdued after the shocking and continuing collapse of the South East Asian economies purely owing to their imprudently high degree of integration into volatile global markets for goods and financial capital flows. The potential dangers of such integration had been repeatedly pointed out from a decade ago by the Left economists; some very vocal pro-liberalisers like the NRI trade theorist Jagdish Bhagwati, who had earlier publicly ridiculed the Left critique, now with the example of the ASEAN countries debacle before them are forced to come round to a more realistic assessment that capital account convertibility in a developing country benefits only Wall Street-rather as a doctor might pronounce, with a man already dead before him, that he is indeed dead. We in India surely do not wish to be in a situation where post mortem reports are written on the economy: the task of the economist committed to mass welfare is to foresee and help to prevent collapse, not to aid in that potential collapse by putting forward wrong theories and policy prescriptions and then to conduct post mortems once the collapse has taken place. These economists resident abroad like J Bhagwati and their domestic cheals still advocate full trade liberalization; they still lack insight in not seeing the connections between integration into the global market for goods, and integration into the market for finance capital: in the present world order, the one implies the other. A third world country cannot seek to penetrate advanced country markets and increase its share of world trade without acceding to advanced country pressures with regard to financial sector opening up and eventual capital account convertibility. There is no such thing as partial liberalization. China does not provide an example relevant for the Indian situation:

it has had high growth as a result of earlier egalitarian strategies of raising mass incomes and meets the advanced countries from a position of strength, not one of debt-conditional weakness.

As regards agriculture many economists continue to see agri-exports as an unambiguously positive development and are oblivious of any negative aspects whether with respect to higher raw material costs for domestic industry or higher foodgrains prices leading to real income decline. They have no excuse for their ignorant complacence because the experience of the last decade in our own country is before us.

There are two sources undermining food security from the supply side: conversion of food growing area to exportable crops as earlier mentioned, and direct export of foodgrains in particular periods of high world price. Noth have been taking place. Quite rapid conversion of grain-producing area to commercial exportable crops has already taken place in the brief period of exportable crops has already taken place in the brief period of export thrust policies from 1991 to 1997. About 4% of the total 1990 sown area, or over 4 million hectares formerly under cereals especially the course grains and pulses, is by now under soya, other oilseeds and cotton. There is every reason to think that India is falling into the 'primary exports trap' as the Sub-Saharan African countries and the Latin American countries have already done. The trap consists in exporting more and more physical volumes of products at falling unit dollar price so that the country has to run harder and harder to stay in the same place with regard to export earnings. Thus during 1985 to 1993 the developing countries exports volumes grew at 9% annually but their share in world export earnings fell and the purchasing power of exports growth, almost halved. At the same time in order to export more, scarce land is diverted from food crops.

As fast growing cash crops claim more area at the expense of grains, yield has not enough to compensate for area decline and the compound growth rate of foodgrains output in India has dropped to only 1.7% below the population growth rate, during the period 1990-1 to 1995-96 for the first time in three decades (Table 2). The decline of rice, coarse grains and of pulse have been especially sharp. We had warned of this outcome in an article written in end-1992, based on the experience of other third world countries ilberalising trade, but it gives us no satisfaction to see that our warning was justified. In 1996-97 there was a large jump in total grain output to 198 million tones, but 'step-function' behaviour in agriculture is common, and as we had predicted (in the Alternative

Economic Survey 1996-7) the output in 1997-98 has fallen below this peak (to 195 m.t. owing to continuing fall in coarse grains and pulses).

The cotton story as a concrete Illustration of liberalisation

The fastest growing individual exportable crop was raw cotton which had seen a violent export thrust during 1990 onwards. Thus exports jumped from an average of 35,000 units during the four years before 1990-1 to more than ten times higher at 374,000 units in that year, and maintained a high average of 2 lakh units in the next three years. Owing to the sudden jump in exports there was a domestic raw cotton famine, open market yarn price trebled and lakhs of handloom and power loom weavers were badly hit. The unregulated raw cotton export thrust led to decline of industry as large number of power loom closed down. Despite this the Commerce Ministry gave the go-ahead to more exports in early 1997, resulting in further rise in raw cotton price and the closure of an even large number of power loom enterprises. Higher domestic raw material price reduced the competitiveness of our textile industry and exports of the raw material, cheap by world standards, pleased India’s textile competitors. While raw cotton exports were reined in, yarn grew fast throughout the reform period. Not only raw cotton, but wheat and rice too was exported on a large scale by government itself during 1995 and 1996 as sticks piled up in FCI god owns and more people went hungry.

Suicide by Farmers: Did the raw cotton export boom benefit farmers growing the crop? The recent spate of suicides by cotton farmers in Andhra Pradesh, Karnataka and elsewhere provides the answer. The risk of producing a commercial crop is borne entirely by the grower, and the risk is greatly increased when the cash crop is grown on contract for export, according to the seed and fertilizer pesticide regime prescribed by the purchaser. The majority of cotton farmers are small farmers and most take land partly or wholly on lease. The Indian farmer is highly price-responsive and has been since colonial times. As the world cotton price improved and exports, grew, hoping to improve their economic position many lakhs of such farmers rapidly expanded the area sown to cotton, taking large cash advances from traders and commission agents and loans from banks to meet the extra seed and input costs, on vast tracts of rain-fed land in Andhra, Karnataka and Maharashtra. Both dealers in uncertified seed and in sub-standard pesticides have a field day under such boom conditions of rapid area expansion with no state supervision as everything is left to the allegedly ‘efficient’ market.

The cotton crop is susceptible to a large variety of pests and the unholy trinity of commission agent/moneylender, pesticide dealer and seed-supplier all had a role to play in the debacle, as farmers purchased uncertified seed, spent large sums of money applying sub-standard pesticides to their pest-affected crop but could not save an iota of it. Had they grown their old drought and pest resistant local jowar and ragi they would have had something to eat: with reliance on cotton, they neither had anything to eat nor any prospect driven to the extreme step of ending their lives, leaving their families to face a harsh neo-liberal world. Of course, suicides have not been confined to cotton growers but have also occurred among growers of tur dal and chillies in northern Karnataka, producing for the domestic market. The point is that the small and middle farmers are highly vulnerable to risk, which exists for domestically consumed cash crops too, but which are increased greatly for an export crop. The grower can do nothing about the volatile global price of the export crop and neither can the national state. The current plight of rubber growers in Kerala facing crashing world price for rubber is again a case in point.

Once a farmer has taken loans to grow a cash crop requiring which higher cash outlays, as in cotton, even when he is not completely bankrupted and dead, he no longer has a choice about sowing land next to the food crop instead of cotton. The outstanding loans have to be paid, and to pay them he has to take the risk again of growing the higher value crop. Debt ties him to the new crop where he has no formal contract to supply to the exporters’ agents. It is quite wrong to think that the movement to cash crop is easily reversible.

From the imperialist countries’ point of view the beauty of the system is that via the Fund-Bank, the same policies of primary product export thrust can be urged successfully upon dozens and dozens of third world countries all producing the same tropical to sub-tropical products, so with about 80 exporting developing countries competing with each other to increase supplies the trend in dollar world commodity price cannot be anything but downwards. This is aided by pressure on indebted countries to devalue, not once but again and again, to remain ‘competitive’ vis a vis each other and this means much cheaper dollar cost of the same volume of imports for advanced countries. India too has repeatedly devalue the rupee in the last seven years, to no ultimate effect with respect to even the export growth rate.

The entry of transnational seed/pesticide/agri-business into cotton-the threat of BT-cotton.

The US transnational giant Monsanto has quickly seized upon the India cotton producers' distress to announce recently the introduction of their genetically engineered cotton variety, BT-Cotton, in India, which if adopted will be a new means of enslaving the farmer and a new ecological disaster. Bacillus Thuringiensis is a bacterium which produces naturally a toxin which kills some pests of cotton and other crops. Genes from Bacillus thuringiensis have been inserted into the cotton plant to produce the genetically engineered cotton plant, called BT-cotton, on which Monsanto holds the patent. The Company claims that since every part of this cotton plant is toxic to the pests, they are killed when they 'take a bit' of the plant. They have told the Indian press that the problems of Indian farmers with pests will disappear forever once farmers start using the BT-Cotton variety by purchasing seeds (at a high cost) from Monsanto. Newspapers like The Hindu of June 16, carried uncritical and glowing reports on the 'magic' cotton plant.

In reality, the plant is toxic for benign and necessary insects and not only for pests. Further, since the seeds of BT-Cotton cannot be replanted the farmer would have to buy the expensive seed every year from Monsanto. As is well known insect pests which have a short life, mutate fast over a few generations and within one or two toxin in BT-cotton and flourish by 'taking a bite' out of it much as pesticide resistant mosquito varieties have developed and led a resurgence of malaria. Monsanto is already facing legal action from groups of farmers in the US who have found that their expensive BT-cotton crop is attacked by pests and who have suffered loses. [1]This of course does not prevent this TNC from trying to fool the Indian farmers and acquire a stranglehold over them using spurious claims.

Unfortunately, they are likely to succeed unless a campaign is launched immediately to inform farmers regarding the spurious claims and the dangerous long-term dependence to which they will become vulnerable once they fall into the trap of a 'high-tech' solution to complex problems.

[1] Data on BT-cotton are from publications of the Research Foundation for Science, Technology and Natural Resource Policy, New Delhi

The Question Of Subsidies In Advanced Countries

When globalisation and export orientation is being talked about any half-way competent analysis must assess the subsidies enjoyed by the Indian farmers' global competitors if it is discussing Indian farm subsidies. Most economists in India appear to be quite unaware of the very high subsidy levels given by the USA, every West European country and Japan to their farmers, at the same time that representatives of these countries tell Indians and other third world countries that they must reduce their subsidy level which are 'distorting' the allocation of resources. The fact that an 80 times higher 'distorting' effect is being exercised on this logic, by the 80 times higher subsidy per farmer doled out by their own governments to their own farmer, does not appear to bother them.

While hypocrisy on the part of the advanced countries in their dealings with third world countries is to be expected on the basis of past experience and is part of their strategy of reducing third world competitiveness, the orchestrated hosannas which are being sung by third world economists, themselves to the anti-national policies being advocated, need closer investigation. The hosannas are at present muted, but only temporarily, as the disastrous results of free trade and capital inflows in the south East Asian countries, in Korea and Indonesia in particular, continue to unfold before our eyes. Ruinous trade liberation continue apace, and the first act of the new government since assuming office six weeks ago has been to announce that several hundred items of import including agricultural imports are to be placed on OGL.

To subject our farmers especially the poor among them to competition from agricultural imports is absurd given the scale of subsidies that foreign farmers enjoy. The advanced countries organized in the OECD, paid out 336 billion dollars of farm subsidies in 1995, (more than India's entire national income), to less than 20 million farmers. The USA alone paid 75 billion dollars out of its annual budget to its 2.7 million full-time farmers, or an average annual subsidy of $28,00 per farmer, this subsidy alone being seventy times the income of the average Indian farmer. As we have explained at length elsewhere, without such heavy subsidy the North American and European farmer would be completely out-competed in the global market by the Punjab or Andhra, farmer, who thanks to the low wages paid to labour produces even without subsidy at a mcuch lower cost per tonne than does the advanced country farmer.

Owing to the heavy half (precisely, 47%) of the international wheat price per tonne, North American farmer along with the West European who get an even higher 80% subsidy per tonne of wheat, are able to dominate the global market in wheat (which is the only thing apart from coarse grains, potatoes and dairy products, that their temperate lands can produce). They wish to reduce the subsidy burden on their own emerge as global players, hence the unremitting insistence on the cutting of the relatively small subsidies which Indian has on power and on fertillisers.

The sum of the transfers that only two countries USA and Japan together paid in 1995-6 to their less than to million farmers was \$167 billion, (\$92 billion in Japan and \$75 billion in US) 4 and this was much more than the total global FDI flows of \$135 billion to developing countries that year, which according to the liberalisers is supposed to be bringing paradise close for the over 4,000 million people of these countries. This comparison is given to drive home the truly staggering scale of farm subsidies in the Northern countries and the pittance that global direct foreign investment constitutes; (the paradox is that the entire macro-economic policy of developing countries-starting from high interest rates to real wage cuts and undermining food security-is being subordinated and shaped to the aim of getting these drops and driblets of money that advanced countries call ‘investment in developing countries’).

Unfortunately many persons concerned with the farmers’ question of ‘world prices’ being the right of the Indian farmer, without knowing anything of the way that world commodity markets function, the level of advanced country subsidies going into determining the world price, and without understanding the real meaning of opening Indian agriculture to fee exports. Just as PDS’ targeting’ was put forward as a progressive sounding policy measure by the people and institutions whose real objectives is to do away with the PDS entirely, similarly the slogan that ‘the Indian farmer should get’ “world prices” for their products’, is put forward as a pro-farmer sounding slogan by imperialist institutions who wish to prise away Indian agriculture from all protection and to economically decimate and pauperise the Indian farmer. Too many ill-formed ‘friends’ of the Indian farmer have swallowed the bait and are loud in demanding a measure which is profoundly anti-farm,er, whether we are talking of the small peasant or the kulak.

A section of the Indian farmers is strongly for complete freedom to export while another section recognizes the danger to food sovereignty and food security of the poor in particular, of unregulated exports under the aegis of the foreign transnational companies. Within the Left movement and the Kisan Sabhas too there is undoubtedly some confusion of these questions; many persons feel that when world prices are high the farmers who on average are poorer than urban residents, should be free to benefit from these high world prices by exporting. They do not understand that even the exporting farmer stand to lose in the long run from integration into the global market, owing to the high volatility of world prices. Again, freedom to export cannot be had without freedom to import, so there is the ever-present post-liberalisation danger of the dumping of cereals and dairy products onto our markets by advanced countries which are permitted to subsidies their farmers heavily under the clauses they have been careful to write in such a way into the GATT Agreement, that they will not attract anti-dumping measures.

We have earlier pointed out that there are two sources undermining food security from the supply side: conversion of food growing area to exportable crops, and direct export of foodgrains in particular periods high world price. Both have been taking place. For first time since the sixties, our food output growth is lagging behind population growth, even after taking into account the recent peak harvest year. Domestic availability also fell owing to direct large grain export in 1995-6 and 1996-7 as world price rose temporarily far above Indian prices; an idea of price volatility is given by the fact that world wheat price has collapsed this year to half the level of December 1995, and is now well below the Indian price.

The economists who look one-sidedly at the matter, see nothing wrong with declining domestic food output per head; they are for maintaining availability by importing food, paving for it out of the foreign exchange earnings from exports of commercial crops and aquaculture products. They have been derisively laughing al all our concern about food self-sufficiency, as showing an obsolete mind-set. They thereby unknowingly reveal their total incompetence as economists, for they never ask the absolutely vital question – if we lose food self-sufficiency and have to import food, what is likely to be the terms of exchange of our agro-products for foreign foodgrains? Suppose the terms of exchange move against us and over time we can only buy lower amounts of food on the global market for the same amount of agro-exports, because the price of our experts falls relative to the price of imported food, how can we then possibly ensure that our poor do not starve? This is not an abstract scenario. Over 80 developing indebted countries are being made to compete with each other to export the same products and to competitively devalue their currencies to cheapen their exports. Therefore all through the eighties and into the nineties there has been large absolute decline in the unit dollar price of the non-grain crops, while only global grain price has been trending upwards, for grain trade is completely dominated by the advanced countries. The Indian economy has not known anything of this disastrous decline in the external terms of trade experienced by the commercial crops export-specialised countries, because it has been insulated from the global market until recently. (Only farmers in high export-oriented states like Kerala have experienced something of the income-squeeze following recent collapse of world rubber and copra prices.)

World bank studies of international terms of trade explicitly project a continuing adverse movement for the primary products exporters, up to the end of the first decade of the next century. We can never hope to finance adequate food imports by specializing in cash crops exporters.

Those who mistakenly demand world prices and liberalization are therefore suffering from a false consciousness a lack of understanding of the aims and objective of the present imperialist thrust to dominate our agrarian economy.

Concluding remarks

It is in the interests of imperialism to restructure the land-use of third world countries to its own requirements, regardless of whether local poor populations are left with enough to eat or not. It is also in its interests to seek third world markets for its excess products. The demand of liberalization of trade in agricultural goods, the demand of the removal of all restrictions on the pattern of land use which exist in many parts of the country for ensuring food self-sufficiency, and the demand for the abrogation of ceiling laws are all related to these objectives of imperialism. In pushing these demands through its agencies, the Bretton Woods institution and the WTO, imperialism also seeks and often obtains the support of the domestic landlords and capitalist farmers, and even, on occasion, of sections of the peasantry who are misled into believing that free trade would enrich them through higher prices. Free trade, however, would not only mean higher food prices and lower living standards for the urban and rural workers as well as for large sections of the peasantry which are net buyers of foodgrains from the market, but it would not even benefit the bulk of the rest of the peasantry. Sharper price fluctuations, growing indebtedness and income insecurity would be their lot. This is already clear from the recent experience of the cotton farmers. They many of the very farmers who are today clamouring for free trade would become its victims tomorrow. The contradiction arising owing to the recent development following liberalization, is a contradiction which pits the interests of the vast masses of the Indian people, workers and peasants, against the interests of imperialism. It provides, in other words, the opportunity to enlarge greatly the sweep of the struggle in the countryside. A major task, however, is to educate those who today, unwittingly and owing to misinformation, are falling into the trap set by the ideologues of the imperialist countries interests and are demanding trade liberalization without any understanding of its adverse implications.

Table 1

Annual per captia output, imports and availability of foodgrains

Net Period	Annual Availability Cereals		Net Cereals	Net Imports Pulses Total Output	
1951-55	129.13	23.59	152.72	122.74	6.06
1956-60	135.93	24.84	160.77	121.48	8.30
1961-65	146.32	22.12	168.44	135.02	10.99
1966-70	140.94	17.78	158.72	129.83	12.45
1971-75	140.54	15.47	156.01	135.48	6.17
1976-80	145.79	15.63	161.42	147.13	0.57
1981-85	151.95	14.34	166.29	153.19	2.30
1986-90	158.16	14.61	172.79	155.95	0.65
1991-95	162.85	13.66	176.52	164.94	0.41
1995-96*	169.31	12.45	181.31	161.48	-1.72

Source: Calculated from Economic Survey, 1996-97. Read 1951 as 1050-51 and so on, except last row* which gives the individual year figures.

Note: Net output is gross output less 12.5% on account of seed, feed and wastage. Net availability is net output plus net imports minus net increase in government stocks (last item not shown here.)

Table 2

Annual growth in foodgrains production

Year	Rice	Wheat	Pulse	Food Grains
Compound Growth Rate				
1967-68 to 1995-96	2.90	4.72	0.93	2.67
1980-81 to 1995-96	3.35	3.62	1.21	2.86
1990-91 to 1995-96	1.52	3.62	1.07	1.70

Note: Growth rates are based on index numbers base triennium ending 1981-82.

Source: Government of India Economic survey 1996-97 Table 8.6 Not every country's elites are imitative consumers. Japan even though it was not colonized had to sign unequal trade treaties in the 1850's under which she had to remain open to imports from advanced countries and could not raise any tariff above 3%. But the Japanese elite adhered to a traditional personal lie-style and started using modern consumption goods only when they could produce them independently.