

Should Asia's Farmers be Protected From Free Trade?

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Walden Bello

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Why Asia's Farmers Deserve Protection

By Walden Bello

The Debate: Bello

One of the terrible truths of the 20th century is that it was a blight on small farmers or peasants everywhere. Before looking at the question of whether Asia's farmers need "protection," it is necessary to consider this historical background.

IN BOTH WEALTHY capitalist economies and in socialist countries, farmers paid a heavy price. Asian industrialization also was carried out largely on the backs of the rural population as farm policies were manipulated to favor the needs of industry.

In advanced capitalist countries like the United States, a deadly combination of economies of scale, capital-intensive technology and the market led to large corporations cornering agricultural production and processing, thus reducing small and medium farms to a marginal role in production and a minuscule portion of the work force.

While the big-business-biased dynamics of the market in capitalist societies eliminated farmers as a class, they were eliminated by state repression in the Soviet Union, which took to heart Karl Marx's snide remarks about the "idiocy of rural life," and transformed them into workers on collective farms. Expropriation of the peasants' surplus production was meant not only to feed the cities but also to serve as the source of the so-called "primitive accumulation" of capital for industrialization.

In Asia, government policies placed the burden of industrialization on the peasantry during the phase of so-called "developmentalist" industry-first policies. In Taiwan and South Korea, land reform first triggered prosperity in the countryside in the 1950's, stimulating industrialization. But with the shift to export-led industrialization in 1965, there was demand for low-wage industrial labor, so government policies deliberately depressed prices of agricultural goods. In this way, peasants subsidized the emergence of "Newly Industrializing Economies." Peasant incomes declined relative to urban incomes, and the resulting stagnation of a once vibrant countryside led to massive migration to the cities and a steady

supply of cheap labor for factories; this left farmers poor, aging, and an increasingly small part of the national work force.

In the Philippines and Thailand, industry-first strategies led to similar policies. In Thailand, for instance, a tax on rice exports insulated the domestic market from price movements in the international market, depressing the price of rice and reducing the wage costs of non-agricultural employers. A transfer of real wealth from the countryside to the city took place every year between 1962 and 1981, except for 1970. Not surprisingly, despite the image of Thailand as an agricultural superpower, a large percentage of the rural population remains poor.

In China, millions of peasants died of starvation during the Great Leap Forward as the grain surplus was requisitioned to finance Mao Zedong's super-industrialization drive. The chaos of the Cultural Revolution allowed peasants to regain a degree of control over production because the government was in crisis and following the death of Mao in 1976, Deng Xiaoping introduced the "household contract responsibility system." Each family was given a piece of land to farm, along with the right to sell what was left over after a fixed proportion of the produce was sold to the government at a state-determined price. This led to peasant prosperity that, as in Taiwan, stimulated industrial production to fulfill rural demand.

But, as in Taiwan, this golden age of the peasantry came to an end, and the cause was identical: the adoption of urban-centered, export-oriented industrialization. Primitive capital accumulation for industry took the form of requisitioning peasant surpluses via heavy taxation. Currently, the various tiers of the Chinese government foist a total of 269 different taxes on farmers, along with often arbitrary admin-

istrative charges. Not surprisingly, in many places, taxes now eat up 15 per cent of farmers' income, three times the official national limit of five per cent. Not surprisingly, too, while the economy has been growing at 8-10 per cent a year, peasant income has stagnated, so that urban dwellers now have, on average, six times the income of peasants. True indeed is the observation of the rural advocates Chen Guidi and Wu Chuntao that the urban industrial economy has been built "on the shoulders of peasants."

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THE TYPHOON OF TRADE LIBERALIZATION

While policies that made peasants subsidize industrialization were harsh, they were at least mitigated by trade policies that barred agricultural imports that were even cheaper than local commodities. In practically all Asian countries with agricultural sectors, imports were tightly controlled via quotas and high tariffs. This protective shield, however, was severely eroded when countries signed the Agreement on Agriculture (AOA) and began joining the World Trade Organization (WTO) starting in 1995.

The AOA forced open agricultural markets by banning quotas, converting these to tariffs and requiring governments to import a minimum volume of each agricultural commodity at a low tariff. At the same time, under the pretext of

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1 Oxfam International, *Rigged Rules and Double Standards* (Oxford: Oxfam International, 2002), p. 112

2 Food and Agricultural Organization (FAO), "Agriculture, Trade, and Food Security: Issues and Options in the WTO Negotiations from the Perspective of Developing Countries, Vol 2: Country Case Studies" (Rome: FAO, 2000); cited in Aileen Kwa, "A Guide to the Doha Work Program: the 'Development Agenda' Undermines Development," *Focus on the Global South*, Bangkok, January 2003

3 Aileen Kwa, *Ibid*

controlling the heavy subsidization of agriculture in developed countries, the AOA institutionalized the various channels through which subsidies flowed, such as export subsidies and direct cash payments to farming interests in the Northern hemisphere.

The result was that in the first decade of the WTO, the level of subsidization of agriculture actually increased in developed countries. The total amount of agricultural subsidies provided by the OECD's member governments rose from \$182 billion in 1995 to \$280 billion in 1997, \$315 billion in 2001, \$318 billion in 2002, and almost \$300 billion in 2005. The U.S. and the European Union (EU) were spending \$9-10 billion more on subsidies in the early 2000's than they were a decade earlier. For every US\$100 of agro-exports from the U.S., government subsidies accounted for \$20-30. In the case of the EU, the figure was \$40-50. While unsubsidized smallholders in the developing world had to survive on less than \$400 a year, American and European farmers were receiving, respectively, an average of \$21,000 and \$16,000 a year in subsidies.¹

With massive American and European subsidies distorting global prices in a downward direction, developing country agriculture became "non-competitive" under the conditions of WTO-mandated trade liberalization. As the Food and Agricultural Organization (FAO) notes, instantaneous import surges following the adoption of the AOA in a number of developing countries led to "consequential difficulties" for "import competing industries" and the prospect that "without adequate market protection, accompanied by development programs, many more domestic products would be displaced, or undermined sharply, leading to a transformation of domestic diets and to increased dependence on imported foods."²

This historic shift to dependence on food imports was, needless to say, accompanied by the displacement of millions of peasants.

Even before the AOA took effect, the World Bank was predicting that Indonesian farmers would be losers under the AOA regime. Indeed, since 1995, the marginalization of farmers – in rice and other basic commodities – has occurred while competitive pressures induced by trade liberalization led to the expansion of commercial plantations at the expense of smallholders.

In the Philippines, corn farmers, chicken farmers, cattle raisers, and vegetable growers were driven to bankruptcy in huge numbers. In Mindanao, where corn is a staple crop, many were wiped out. "It is not an uncommon sight to see farmers there leaving their corn to rot in the fields as the domestic corn prices have dropped to levels [at which] they have not been able to compete."³ With production stagnant, land devoted to corn across the country contracted sharply from 3,149,300 hectares in 1995 to 2,150,300 hectares in 2000.

In China, tens of thousands of farmers, including those growing soybeans and cotton, have been marginalized with China's entry into the WTO. Indeed, to maintain and increase access for its manufacturers to developed countries, the government has chosen to sacrifice its farmers. According to the Institute of International Economics: The challenge of managing the farm sector has grown with China's WTO commitments in agriculture, which are more far reaching than those of other developing countries and in certain respects exceed those of high-income countries. The Chinese government agreed to reduce tariffs and institute other policies that meaningfully increase market access; accepted tight restrictions on the use of agricultural subsidies; and pledged to eliminate

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all agricultural export subsidies – commitments that go far beyond those made by other participants in the Uruguay Round negotiations that led to the WTO’s creation.⁴

In Sri Lanka, thousands of small farmers staged street demonstrations to protest the import of chicken parts and eggs, claiming they were being driven out of business. The FAO con-

4 C. Fred Bergsten et al., *China: the Balance Sheet* (New York: Public Affairs, 2006), p. 36

5 Meenakshi Raman, “Effects of Agricultural Liberalization: Experiences of Rural Producers in Developing Countries,” *Third World Network*, Penang, Malaysia, undated

6 Utsa Patnaik, “External Trade, Domestic Employment, and Food Security: Recent Outcomes of Trade Liberalization and Neo-Liberal Economic Reforms in India,” Paper presented at the International Workshop on Policies against Hunger III, Berlin, Oct. 20-22, 2004, p. 1

curred, noting that import surges on major food items like chillies, onions, and potatoes made local production “precarious, as reflected in the significant drop in areas of production...”⁵

In India, tariff liberalization, even in advance of WTO commitments, has translated into a profound crisis in the countryside. Indian economist Utsa Patnaik has described the calamity as “a collapse in rural livelihoods and incomes” owing to the steep fall in the prices of farm products.⁶ Along with this has come a rapid decline in consumption of food grains, with the average Indian family of four consuming 76 kg less in 2003 compared to 1998 and 88 kg less than a decade earlier. The state of Andhra Pradesh, which has become a byword for agrarian distress owing to trade liberalization, saw a catastrophic rise in farmers’ suicides from 233 in 1998 to over 2,600 in 2002. One estimate is that some 100,000 farmers in India have taken their lives owing to collapsing prices stemming from rising imports.

RURAL BACKLASH

In 2004, a rural backlash against agrarian distress led to the unexpected defeat of the BJP-led ruling coalition that had campaigned on the vision of “India Shining.”

India’s rural electoral revolt was part of a global phenomenon that put governments on notice that the countryside would no longer accept policies that sacrifice farmer interests. In Asia, protests in the form of land occupations, hunger strikes, violent demonstrations, and symbolic suicides made rural distress a pressing issue. In China, what the Ministry of Public Security calls “mass group incidents,” in other words, protest actions, increased from 8,700 in 1993 to 87,000 in 2005, most of them in the countryside. Moreover, the incidents are growing

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7 C. Fred Bergsten et al., *China: What the World Needs to Know now about the Emerging Superpower* (Washington: Center for Strategic and International Studies and Institute for International Economics, 2006), pp. 40-41

in average size, from 10 or fewer persons in the mid-1990s to 52 people per incident in 2004.⁷ Not surprisingly, the current leadership increasingly sees the countryside as a powder keg that needs to be defused.

GOVERNMENTS UNDER PRESSURE

The political consequences of what trade liberalization and other anti-agriculture policies brought to the countryside, led to the formation of the Group of 20 and the Group of 33. The G-20 put the developed countries on notice that there would be no more concessions in terms of market access if no significant reductions were made in unfair domestic support for agriculture. The G-33 demanded that certain products considered vital to agricultural production and employment – “special products” (SPs) – be exempted from tariff liberalization. They also wanted the right to raise tariffs and resort to other measures – “special safeguard mechanisms” (SSMs) – to protect their products from surges of agricultural imports. When the EU and the U.S. refused to compromise on these issues, the WTO’s Fifth Ministerial Meeting in Cancun in 2003 collapsed.

The Ministerial Declaration of the Sixth Ministerial Meeting of the WTO in Hong Kong in December 2005 recognized the right of developing countries to designate SPs and institute SSMs. However, the U.S.’s backtracking on this commitment as well as its refusal to significantly reduce its domestic subsidies led to the collapse of the Doha Round of negotiations in July 2006. Developing countries simply could not provoke more discontent among their peasant populations by opening their markets even more in exchange for cosmetic reductions in the massive subsidies provided by the EU and U.S. to their agricultural sectors.

FARMERS’ INTERNATIONALE?

CASE STUDY

Lee Kyung Hae

The suicide of the Korean farmer Lee Kyung Hae at the barricades in Cancun in September 2003 was a milestone in the development of farmers’ resistance globally. Committed under a banner that read “WTO Kills Farmers,” Lee’s aim was to draw international attention to the number of suicides by farmers in countries subjected to liberalization. He succeeded only too well. The event shocked the WTO delegates, who observed a minute of silence in Lee’s memory. By adding to what was already a charged atmosphere, it was certainly a key factor in the unraveling of the talks.

In December 2005, invoking Lee’s sacrifice, hundreds of Korean farmers tried to break through police lines in an effort to storm the Hong Kong Convention Center. Some 900 protesters, the bulk of them Korean farmers, were arrested.

Lee and the Korean farmers protesting in Hong Kong were members of Via Campesina, an international federation of farmers that was established in the mid-1990s. Since its founding, Via Campesina – literally translated as the “Peasants’ Path” – has become known as one of the most militant opponents of the WTO and bilateral and multilateral free trade agreements. While there are other international farmers’ networks, Via is distinguished by its position that small farm-

⁸ Interview with Jose Bove, “A Farmers’ International?,” *New Left Review*, No. 12, Nov-Dec 2001

⁹ Henry Saragih and Ahmad Ya’kub, “The Impact of WTO and Alternatives to Agricultural Trade,” Paper presented at the Regional Conference on Agricultural Negotiations in the WTO: Implications for Trade and Agriculture in East Asia, Hong Kong, January 12-14, 2004

ers must not only fight to survive in the current global system of corporate-dominated industrial farming, they should lead the process to transform or replace the current system. Commenting on the vision of Jose Bove – the famous French activist who dismantled a MacDonald’s restaurant in his hometown of Millau, France – and other Via leaders, one progressive journal has described the aim of the organization as the creation of a “Farmers’ Internationale” in much

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the same way that Communist and Social Democratic groups sought to establish the Communist International and Socialist International to unite workers in the 20th century.⁸

The main battle cry of Via Campesina, whose coordinating center is located in Indonesia, is “WTO Out of Agriculture” and its alternative program is “Food Sovereignty.” Food Sovereignty means first and foremost the immediate adoption of policies that favor small producers. This would include, according to Indonesian farmer Henry Saragih, Via’s coordinator, and Ahmad Ya’kub, Deputy for Policy Studies of the Indonesian Peasant Union Federation (FSPI), “the protection of the domestic market from low-priced imports, remunerative prices for all farmers and fishers, abolition of all direct and indirect export

subsidies, and the phasing out of domestic subsidies that promote unsustainable agriculture.”⁹

Via’s program, however, goes beyond the adoption of pro-smallholder trade policies. It also calls for an end to the Trade-Related Intellectual Property Rights regime, which allows corporations to patent plant seeds, thus appropriating for private profit what has evolved through the creative interaction of the natural world with human communities over eons. Seeds and all other plant genetic resources should be considered part of the common heritage of humanity, the group believes, and not be subject to privatization.

Agrarian reform, long avoided by landed elites in countries like the Philippines, is a central element in Via’s platform, as is sustainable, ecologically sensitive organic or biodynamic farming by small peasant producers. The organization has set itself apart from both the “First Green Revolution,” which was based on chemical-intensive agriculture, and the “Second Green Revolution,” which is driven by genetic engineering (GE). The disastrous environmental side effects of the first are well known, says Via, which means all the more that the precautionary principle must be rigorously applied to the second, to avoid negative health and environmental outcomes.

The opposition to GE-based agriculture has created a powerful link between farmers and consumers who are angry at corporations for marketing genetically modified commodities without proper labeling, thus denying consumers a choice. In the European Union, a solid alliance of farmers, consumers, and environmentalists prevented the import of GE-modified products from the United States for several years. Although the EU has cautiously allowed in a few GE imports since 2004, 54 per cent of European consumers continue to think GE food

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10 BBC, "Trade Battle over GM Food," Feb. 8, 2006, <http://news.bbc.co.uk/2/hi/europe/4890010.stm>

11 Jose Bove, "A Farmers' International?," in Tom Mertes, ed., *A Movement of Movements?* (London: Verso, 2004), pp. 141-142

More and more people are beginning to realize that local production and culinary traditions are intimately related, and that this relationship is threatened by corporate control of food production, processing, marketing, and consumption.

is "dangerous."¹⁰ Opposition to other harmful processes such as food irradiation has also contributed to the tightening of ties between farmers and consumers, large numbers of whom now think that public health and environmental impact should be more important determinants of consumer behavior than price.

More and more people are beginning to realize that local production and culinary traditions are intimately related, and that this relationship is threatened by corporate control of food production, processing, marketing, and consumption. This is why Jose Bove's justification for dismantling a MacDonald's resonated widely in Asia: "When we said we would protest by dismantling the half-built McDonald's in our town, everybody understood why – the symbolism was so strong. It was for proper food against *malbouffe* [awful standardized food], agricultural workers against multinationals... The extreme right and other nationalists tried to make out it was anti-Americanism, but the vast majority knew it was no such thing. It was a protest against a form of production that wants to dominate the world."¹¹

A CLASS-FOR-ITSELF?

Small farmers have long been viewed as a doomed class by many economists, technocrats,

policymakers, and urban intellectuals. Once regarded as passive objects to be manipulated by elites, they are now resisting the capitalist, socialist, and "developmentalist" paradigms that would consign them to ruin. They have become what Karl Marx described as a politically conscious "class-for-itself." And even as peasants refuse to "go gently into that good night," to borrow a line from Dylan Thomas, developments in the 21st century are revealing traditional pro-development visions to be deeply flawed. The escalating protests of peasant groups such as Via Campesina, are not a return to the past. As environmental crises multiply and the social dysfunctions of urban-industrial life pile up, we realize that the farmers' movement has relevance not only to peasants, but to everyone who is threatened by the catastrophic consequences of obsolete modernist paradigms for organizing production, community, and life.

Walden Bello is Executive Director of Focus on the Global South, a Bangkok-based research and advocacy institute, and a Professor of Sociology at the University of the Philippines at Diliman.