



Manufacturing a Global Food Crisis

By Walden Bello

Much of the suffering in poor parts of the world caused by rising food prices is man-made, writes scholar and activist Walden Bello.

The free-market restructuring of agriculture in developing countries, which neo-liberals in the developed world have advocated, has left poor countries at the mercy of global markets they can't control, he argues.

WHEN TENS OF THOUSANDS OF PEOPLE staged demonstrations in Mexico last year to protest an increase of over 60 percent in the price of *tortilla*, the flat unleavened bread that is Mexico's staple food, many analysts pointed to biofuels as the culprit. Owing to US government subsidies, turning corn into ethanol had become more profitable than growing it for food consumption, prompting American farmers to devote more and more acreage to it, in the process sparking off a steep rise in corn prices.

The diversion of corn to biofuel was certainly one of the proximate causes of skyrocketing prices, though speculation on likely trends in biofuel demand by transnational middlemen may have played a bigger role.¹ However, an intriguing question escaped many observers: *How on earth did Mexicans, who live in the land where corn was first domesticated, become "dependent" on imports of US corn in the first place?*

Even more disturbing than the price of tortilla and the suffering endured by Mexican farmers, is the fact that systematic efforts to redefine global agriculture—exemplified by biofuel subsidies in the United States and neoliberal policies pursued by the International Monetary Fund and the World Bank globally—have endangered food supplies and worsened living conditions in Africa, Asia and Latin America.

ERODING THE MEXICAN COUNTRYSIDE

In the case of Mexico, the food crisis cannot be fully understood without taking into account the fact that in the years preceding the tortilla crisis, Mexico had been converted to a corn importing

1 Ana de Ita, "Fourteen Years of NAFTA and the Tortilla Crisis," *America Program, Center for International Policy*, January 10, 2008; <http://americas.irc-online.org/am/4879>.

2 Morris Miller, *Debt and the Environment: Converging Crisis* (New York: UN, 1991), p.215.

3 Walden Bello, Shea Cunningham, and Bill Rau, *Dark Victory: the United States, Structural Adjustment, and Global Poverty* (San Francisco: Food First, 1994), p.39.

i For a comprehensive treatment on the role of speculation by transnational middlemen in the Tortilla Crisis, see Ana de Ita, "Fourteen Years of NAFTA and the Tortilla Crisis," *Americas Program, Center for International Policy*, January 10, 2008; <http://americas.irc-online.org/am/4879>.

4 Cited in Michael Pollan, "A Flood of US Corn Rips at Mexico," *Common Dreams News Center*, April 23, 2004; <http://www.commondreams.org/cgi-bin/print.cgi?file=views04/0423-02.htm>

5 Email communication, April 30, 2008.

economy by free market policies promoted by the IMF, the World Bank, and Washington. The process began with the debt crisis of the early 1980s. One of the two biggest developing country debtors, Mexico was forced to beg for money to service its debt to international commercial banks from the World Bank and the IMF. The quid pro quo for a multibillion dollar bailout package was what a member of the World Bank executive board described as a program marked by "unprecedented thoroughgoing interventionism" that was designed to pay off the amount advanced by the Bank and the Fund while doing away simultaneously with the high tariffs, state regulations, and government support institutions that the ascendant neo-liberal doctrine identified as barriers to economic efficiency.²

As a portion of total government expenditures, interest payments rose from 19 percent in 1982 to 57 percent in 1988 while capital expenditures dropped from an already low 19.3 percent to 4.4 percent.³ In the countryside, the contraction of government spending translated into a protracted process of dismantling a system of state credit, government-subsidized agricultural inputs, price supports, state marketing boards and extension services. Contributing to the process was a program of unilateral liberalization of agricultural trade.

This blow to peasant agriculture was followed by an even bigger one in 1994 when the North American Free Trade Agreement (NAFTA) went into effect. Although NAFTA had a 15-year tariff phase-out for agricultural products including corn, highly subsidized US corn flooded in, bringing prices down by half and plunging the corn sector into crisis. Today, largely as a result of NAFTA, Mexico sources 40 percent of its food in foreign markets.

With the shutting down of the state marketing agency for corn, distribution of both US corn im-

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ports and Mexican grain has come to be monopolized by a few transnational traders operating on both sides of the border, such as the US-owned Cargill and the partly US-owned Maseca. This has given them tremendous power to speculate on trade trends, so that real movements in bio-fuel demand can be manipulated and magnified many times over, as seems to have happened during the tortilla price crisis. At the same time, monopoly control of domestic trade has ensured that a rise in international corn prices does not translate into significantly higher prices paid to small producers at the local level.ⁱ

Yet against all odds, three million farmers continue to grow corn. Many of them are losing

money but are sustained by remittances from relatives working in the United States. Year by year, however, it becomes harder for these farmers to avoid the fate of many of their fellow corn cultivators and the large numbers of smallholders in sectors such as rice, beef, poultry and pork who have gone under owing to the advantages conferred on subsidized US producers by NAFTA. According to a 2003 Carnegie Endowment report, imports of US agricultural products threw at least 1.3 million farmers out of work, many of whom found their way to the United States.⁴

What are the prospects of change for the better? Not much and not least among the reasons is the fact that a state controlled by neo-liberals continues to systematically dismantle the agricultural-support system for peasant producers that was a key legacy of the Mexican Revolution. As Food First Executive Director Eric Holt Gimenez sees it, “It will take time and effort to recover smallholder capacity, and there does not appear to be any political will for this—to say nothing of the fact that NAFTA would have to be renegotiated.”⁵

CREATING A RICE CRISIS IN THE PHILIPPINES

That the current global food crisis stems mainly from the free-market restructuring of agriculture in the developing world emerges more clearly in the case of rice. Unlike corn, less than 10 percent of rice produced globally is traded. Moreover, there has been no diversion of rice from food consumption to biofuel. Yet this year alone, prices nearly trebled from \$380 per ton in January to over \$1,000 per ton in April. Undoubtedly, the price inflation stems partly from speculation by powerful cartels of wholesalers at a time of tightening supplies. However, as in the case of Mexico and corn, the big puzzle is why a number of once self-sufficient rice-consuming countries have come to depend on imports.

The Philippines provides a grim example of how neo-liberal economic restructuring transforms a country from a net food exporter to a net food importer. The country is now the world’s biggest importer of rice, regularly sourcing 1 to 2 million tons of its annual requirements in the international market. Manila’s desperate effort to secure rice at whatever price has become front page news, and pictures of Filipino soldiers providing security for rice distribution in poor communities have become emblematic of the global food crisis. Yet this was a country that as late as 1993 was a net food exporter that had only intermittently imported relatively small quantities of rice. What happened?

The broad contours of the Philippine story parallel Mexico. The dictator Ferdinand Marcos was guilty of many crimes and misdeeds, including failure to follow through on land reform, but one thing he could not be accused of was starving the agricultural sector of government support. To head off peasant discontent, the regime provided farmers with subsidized fertilizer and seeds, launched credit schemes, and built rural infrastructure, with land under irrigation rising from 500,000 hectares in the mid-sixties to 1.5 million in the mid-eighties. Owing to these investments, the Philippines achieved self sufficiency in rice for most of the Marcos period, though in its last full year, 1985, it had to import over 500,000 tons. When Marcos fled the country in 1986, however, it was reported that there were 900,000 metric tons of rice in government warehouses.⁶

Paradoxically, the next few years under the new democratic dispensation saw government investment capacity gutted. As in Mexico, the World Bank and IMF, working on behalf of the country’s international creditors, pressured the administration of President Corazon Aquino to make repayment of \$21.5 billion in foreign debt the national economic priority instead of de-

7 Florian Albuero, *et al.*, "Towards Recovery and Sustainable Growth," School of Economics, University of the Philippines, Diliman, Quezon City, September 1985.

8 World Bank, *World Bank Debt Tables*, Vol. 2 (Washington, DC: World Bank, 1994), p.378.

9 World Bank, *World Development Indicators 1998* (Washington, DC: World Bank, 1997), p.199.

10 Government data from Riza Bernabe, personal communication, May 5, 2008.

11 Rovik Obanil, "Rice Safety Nets Act: More of a Burden than a Shield," *Farm News and Views* (1st Quarter 2002), p.10.

12 *Selected Agricultural Statistics, 1998 and 2002* (Quezon City: Department of Agriculture, 1998 and 2002); Rovik Obanil, "Rice Safety Nets Act: More of a Burden than a Shield," *Farm News and Views* (1st Quarter 2002), p.10.

velopment. Aquino acquiesced, though she was collectively warned by the country's top economists that the "search for a recovery program that is consistent with a debt repayment schedule determined by our creditors is a futile one and should therefore be abandoned."⁷

In the critical period 1986-1993, some 8 to 10 percent of GDP left the Philippines yearly in debt service payments—roughly the same proportion as in Mexico. A total of about \$30 billion flowed out of the country during the period.⁸ This outflow was supported by a radical restructuring of the national budget: interest payments as a percentage of government expenditures rose from 7 percent in 1980 to 28 percent in 1994; capital expenditures or investment plunged from 26 percent to 16 percent.⁹ Debt servicing, in short, became the national budgetary priority, and this was legally enshrined by an "automatic appropriations law" that obligated the government to place payment of the debt ahead of all other obligations.

Among the items cut most sharply was spending on agriculture, which fell by more than half, from 7.5 percent of total government spending in 1982 under Marcos to 3.3 percent in 1988 under Aquino.¹⁰ The World Bank and its local acolytes were not worried, however, since the belt-tightening exercise was supposed to get the market and the private sector to march into the breach and energize the countryside. Instead, the country's agricultural capacity quickly eroded. The amount of cultivated land covered by irrigation stagnated at 1.3 million out of 4.7 million hectares. By the end of the 1990s, only 17 percent of the Philippines' road network was paved, compared to 82 percent in Thailand, and 75 percent in Malaysia. Crop yields across the board were anemic, with the average rice yield of 2.8 metric tons per hectare way below yields in China and Vietnam,¹¹ where interventionist

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governments took an active role in promoting rural production. Already weak and riddled with loopholes, the post-Marcos agrarian reform program shriveled, deprived of funding for support services that had been the key to successful land reform in Taiwan and Korea.

As in Mexico, peasants in the Philippines were confronted with the comprehensive retreat of the state away from providing comprehensive support—a role that their success in production had come to depend on.

As in the case of Mexico, the cutback in agricultural programs by IMF and World Bank-imposed adjustment programs was followed by trade liberalization, with the Philippines' entry into the World Trade Organization (WTO) in 1995 playing the role that adherence to NAFTA played in Mexico.

Membership in the WTO required the Philippines to eliminate quotas on all agricultural imports and allow a certain amount of each commodity into the country at low tariff rates. While the country was allowed to maintain a quota on rice imports, it was nevertheless required to admit the equivalent of 1 percent of

13 Aileen Kwa, "A Guide to the WTO's Doha Work Program: the 'Development' Agenda Undermines Development," Focus on the Global South, Bangkok, January 2003.

14 *Selected Agricultural Statistics, 1998, 2002* (Quezon City: Department of Agriculture, 1998, 2002).

15 See Walden Bello et al., *The Anti-Development State: the Political Economy of Permanent Crisis in the Philippines* (Quezon City: University of the Philippines, 2004), pp.146-148.

16 *Selected Agricultural Statistics 1998, 2002* (Quezon City: Department of Agriculture, 1998, 2002).

17 Submission of Republic of the Philippines, World Trade Organization Committee on Agriculture, Geneva, July 1, 2003.

18 Food and Agricultural Organization (FAO), "Agriculture, Trade, and Food Security: Issues and Options in the WTO Negotiations from the Perspective of the Developing Countries, Vol. 2: Country Case Studies (Rome: FAO, 2000), p.25.

19 Quoted in "Cakes and Caviar: the Dunkel Draft and Third World Agriculture," *Ecologist*, Vol. 23, No. 6 (Nov-Dec 1993), p.220.

domestic consumption in 1995, rising to 4 percent in 2004. In fact, due to the gravely weakened state of rice production, the government imported more than it was obligated to under the WTO's Agreement on Agriculture in order to supply local needs. These imports, which rose from 263,000 metric tons in 1995 to 2.1 million tons in 1998, had the effect of depressing the price of rice, discouraging farmers and keeping the growth in rice production at a rate far below those of the country's two top suppliers, Thailand and Vietnam.¹²

Entry into the WTO destabilized rice production, but it barreled through the rest of Philippine agriculture like a super-typhoon. Corn farmers in Mindanao, reported trade analyst Aileen Kwa, "have been wiped out. It is not an uncommon sight to see farmers there leaving their corn to rot in the fields as domestic corn prices have dropped to levels [at which] they have not been able to compete."¹³ Swamped by cheap corn imports, a large part of it subsidized American grain, it was not surprising that farmers would sharply reduce the land devoted to corn from 3,149,300 hectares in 1993 to 2,510,300 hectares in 2000.¹⁴ The travails of corn were paralleled in other sectors: massive importation of chicken parts nearly killed that industry while surges in imports destabilized the poultry, hog and vegetable industries.¹⁵

During the campaign to ratify WTO membership in 1994, government economists coached by their World Bank handlers promised that the losses in corn and other traditional crops would be more than compensated by the emergence of a new export industry specializing in the production of so-called "high-value-added" crops such as cut flowers, asparagus, broccoli, and snow peas. This did not materialize. Neither did the 500,000 new agricultural jobs that were supposed to be created yearly by the "magic" of

the market; instead, employment in agriculture dropped from 11.2 million people in 1994 to 10.8 million in 2001.¹⁶

All that came from the one-two punch of IMF-imposed adjustment and WTO-imposed trade liberalization were the swift transformation of a largely self-sufficient agricultural economy into one that was permanently import-dependent and the steady marginalization of small farmers. It was a wrenching process, the pain of which was captured by a Philippine government negotiator during one of the sessions of the WTO's Agricultural Committee in Geneva. "Our agricultural sectors that are strategic to food and livelihood security and rural employment," he told the body, "have already been destabilized as our small producers are being slaughtered by the gross unfairness of the international trading environment. Even as I speak, our small producers are being slaughtered in our own markets, [and] even the more resilient and efficient are in distress."¹⁷

THE GREAT TRANSFORMATION

The experience of Mexico and the Philippines was paralleled in one country after another under the fatal combination of IMF-imposed structural adjustment and WTO-mandated trade liberalization. A study of 14 countries by the Food and Agricultural Organization (FAO) found that the levels of food imports in 1995-98 exceeded those in 1990-94.¹⁸ This was not surprising since one of the main goals of the WTO's Agreement on Agriculture was to open up developing country markets so they could absorb surplus production in the North. As then US Agriculture Secretary John Block put it at the start of the Uruguay Round of trade negotiations in 1986, "the idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security

20 OECD Agricultural Trade Statistics, <http://www.oecd.org/dataoecd/48/2/40010981.xls>

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

22 Frances Moore Lappe, Joe Collins, and Peter Rosset, *World Hunger: Twelve Myths* (New York: Grove Press, 1986), p.19-20.

23 Deborah Bryceson, "Disappearing Peasantries? Rural Labor Redundancy in the Neo-Liberal Era and Beyond," in Bryceson, Cristobal Kay, and Jos Mooij, eds., *Disappearing Peasantries? Rural Labor in Africa, Asia, and Latin America* (London: 2000), p. 304-305; cited in Mike Davis, *Planet of Slums* (London: Veerso, 2006), p.15.

24 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.

25 *The Hindu*, Nov. 12, 2007; <http://www.hindu.com/2007/11/12/stories/2007111257790100.htm>

26 Vandana Shiva, "The Suicide Economy," Znet, April 2004, <http://www.countercurrents.org/glo-shiva050404.htm>

by relying on US agricultural products, which are available, in most cases, at lower cost."¹⁹

What Block did not say was that the lower cost of US products stemmed from subsidies, and this became more massive with each passing year, despite the fact that the WTO was supposed to phase out all forms of subsidy. From \$367 billion in 1995, the first year of the WTO, the total amount of agricultural subsidies provided by developed country governments rose to \$388 billion in 2004.²⁰ Subsidies now account for 40 percent of the value of agricultural production in the European Union (EU) and 25 percent in the United States.²¹

The apostles of the free market and the defenders of dumping may seem to be at different ends of the policy spectrum. However, the effects on developing countries of the policies they advocate are the same: the globalization of capitalist industrial agriculture. The system to which agriculture in developing countries is being integrated is one where export-oriented production of meat and grain is undertaken in large industrial farms such as those run by the Thai multinational CP; where technology is continually upgraded by advances in genetic engineering from firms like Monsanto; and where the elimination of tariff and non-tariff barriers brings into being a profitable global agricultural supermarket of elite and middle-class consumers serviced by globe-spanning giant grain-trading corporations like the US-owned Cargill and Archer Daniels Midland and transnational food retailers like the British-owned Tesco and the French-owned Carrefour.

There is little room for the hundreds of millions of rural and urban poor in this integrated global market. They are confined to giant suburban *favelas* where they contend with prices that are often much higher than the supermarket price of food or to rural reservations where they are trapped in

marginal agricultural activities and increasingly vulnerable to hunger. Indeed, within the same country, famine in the marginalized sector may coexist with prosperity in the globalized sector—a situation that evokes Frances Moore Lappé and Joe Collins' classic description of Ethiopia in the early 1980s, where vast acreages of prime land were producing cotton and sugar cane for export while poor subsistence farmers were starving in adjacent areas.²²

Small-scale peasant production stands in the way of this structural transformation. What is taking place is not simply the erosion of national food self-sufficiency or food security but what the Oxford University academic Deborah Bryceson calls "de-peasantization"—the progressive phasing out of a mode of production to make the countryside a more congenial site for intensive capital accumulation.²³ This transformation is traumatic for hundreds of millions of people since peasant production is not simply an economic activity, it is a way of life and a culture. This is one key reason why in India, peasants displaced or marginalized by trade liberalization and corporate agriculture have taken to committing suicide. In the state of Andhra Pradesh alone, farmers' suicides rose from 233 in 1998 to 2,600 in 2002.²⁴ One estimate is that some 150,000 farmers in India have taken their lives.²⁵ Severe economic distress linked to, among other things, collapse of prices from trade liberalization and loss of control over seeds to biotech firms like Monsanto, is part of a more comprehensive problem behind the suicides, says Vandana Shiva: "[Un]der globalization, the farmer is losing her/his social, cultural, economic identity as a producer. A farmer is now a 'consumer' of costly seeds and costly chemicals sold by powerful global corporations through powerful landlords and money lenders locally."²⁶

ii Kjell Havnevik, Debkorah Bryceson, Lars-Erik Birgegard, Prosper Matandi, and Atakilte Beyene, "African Agriculture and the World Bank: Development or Impoverishment?", *Pambazuka News*, March 11, 2008; <http://www.pambazuka.org/en/category/features/46564>.

27 "Africa's Hunger—A Systemic Crisis," BBC News, Jan 21, 2006; <http://news.bbc.co.uk/2/hi/afria/462232.stm>.

28 "The Development of African Agriculture," http://www.africangreenrevolution.com/cgi-bin/afican_green_rev/printer_friendly.cgi?f.

29 See, *inter alia*, Oxfam International, *Causing Hunger: An Overview of the Food Crisis in Africa* (Oxford: Oxfam, July 2006).

ADJUSTING AFRICAN AGRICULTURE

De-peasantization is at an advanced state in Latin America and Asia. And if the World Bank were to have its way, Africa would travel in the same direction. As Deborah Bryceson and her colleagues correctly point out in a recent article, the *World Bank Development Report for 2008*, which touches extensively on agriculture in Africa, is practically a blueprint for the transformation of peasant-based agriculture into large-scale commercial

important part of the explanation lies in the phasing out of government controls and support mechanisms under the structural adjustment programs to which most African countries were subjected as the price for getting IMF and World Bank assistance to service their external debt.

Instead of triggering a virtuous spiral of growth and prosperity, structural adjustment imprisoned Africa in a trap in which low investment, increased unemployment, reduced social spending, reduced

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farming.ⁱⁱ The problem is that, as in many other places today, the Bank's wards are moving from sullen resentment to outright defiance.

At the time of decolonization in the 1960s, Africa was not just self sufficient in food but was actually a net food exporter, its exports averaging 1.3 million tons a year between 1966 and 1970.²⁷ Today, the continent imports 25 percent of its food, with almost every country being a net food importer.²⁸ Hunger and famine have become recurrent phenomena, with the last three years alone seeing food emergencies break out in the Horn of Africa, the Sahel, Southern Africa, and Central Africa.²⁹

Agriculture is in deep crisis, and the causes range from wars to bad governance, lack of agricultural technology and the spread of HIV-AIDS. However, as in Mexico and the Philippines, an

consumption and low output interacted to create a vicious cycle of stagnation and decline.

Lifting price controls on fertilizers while simultaneously cutting back on agricultural credit systems simply led to reduced applications, lower yields and lower investment. Moreover, reality refused to conform to the expectation that the withdrawal of the state would pave the way for the market and private sector to make agriculture more dynamic. Instead, the private sector saw reduced state expenditures as creating more risk and failed to step into the breach. In country after country, the departure of the state "crowded out" rather than "crowded in" private investment. In those instances where private traders replaced the state, an Oxfam report noted, "they have sometimes done so on highly unfavorable terms for poor farmers," leaving "farmers more

30 See, *inter alia*, Oxfam International, *Causing Hunger: An Overview of the Food Crisis in Africa* (Oxford: Oxfam, July 2006) p. 18.

31 "The New Face of Hunger," *Economist*, April 17, 2008; http://www.economist.com/world/international/PrinterFriendly.cfm?story_id=11049284

32 Charles Abugre, "Behind Crowded Shelves: an Assessment of Ghana's Structural Adjustment Experiences, 1983-1991," (San Francisco: food First, 1993), p.87.

33 Oxfam, p.20.

34 See "Did the IMF Cause a Famine?," [Yingsakfoodnetwork.com](http://www.yingsakfoodnetwork.com), April 28, 2008, http://www.yingsakfoodnetwork.com/did_the_imf.asp.

35 "Trade Talks Round Going Nowhere sans Progress in Farm Reform," *Business World* (Phil), Sept. 8, 2003, p. 15.

36 Oxfam, p. 13.

37 Quoted in Miller, p. 70.

38 Ngaire Woods, *The Globalizers: the IMF, the World Bank, and their Borrowers* (Ithaca: Cornell University Press, 2006), p. 158.

food insecure, and governments reliant on unpredictable aid flows.³⁰ The *Economist* magazine agreed, admitting "many of the private firms brought in to replace state researchers turned out to be rent-seeking monopolists."³¹

What support the government was allowed to muster was channeled by the Bank into export agriculture to generate the foreign exchange earnings that the state needed to service its debt to the Bank and the Fund. But, as in Ethiopia during the famine of the early 1980's, this led to the dedication of good land to export crops, with food crops forced into more and more unsuitable soil, thus exacerbating food insecurity. Moreover, the Bank encouraged several economies undergoing adjustment to focus on export production of the same crops simultaneously, which often led to overproduction that then triggered a price collapse in international markets. For instance, the very success of Ghana's program to expand cocoa production led to a 48 percent drop in the international price of cocoa between 1986 and 1989, threatening, as one account put it, "to increase the vulnerability of the entire economy to the vagaries of the cocoa market."³² In 2002-2003, a collapse in coffee prices contributed to another food emergency in Ethiopia.³³

As in Mexico and the Philippines, structural adjustment in Africa was not simply underinvestment but state divestment. But there was one major difference. In the Philippines and Mexico, the Bank and Fund confined themselves to supervising the dismantling of the state's economic role from above, leaving the dirty details of implementation to the bureaucracy. In Africa, where they dealt with much weaker governments, the Bank and Fund micromanaged, reaching down to make decisions on how fast subsidies should be phased out, how many civil servants had to be fired, or even, as in the case of Malawi, how much of the

country's grain reserve should be sold and to whom.³⁴ In other words, Bank and IMF resident proconsuls reached into the very innards of the state's involvement in the agricultural economy to rip it up.

Compounding the negative impact of adjustment were unfair trade practices on the part of the EU and the United States. Trade liberalization simply allowed low-priced subsidized EU beef to enter and drive many West African and South African cattle raisers to ruin. With their subsidies legitimized by the WTO's Agreement on Agriculture, US cotton growers offloaded their cotton on world markets at between 20 and 55 percent of the cost of production, bankrupting West African and Central African cotton farmers.³⁵

According to Oxfam, the number of people living on less than a dollar a day more than doubled to 313 million people between 1981 and 2001—or 46 percent of the whole continent.³⁶ The role of structural adjustment in creating poverty, as well as severely weakening the continent's agricultural base and consolidating import dependency, was hard to deny. As the World Bank's Chief Economist for Africa admitted, "We did not think that the human costs of these programs could be so great, and the economic gains would be so slow in coming."³⁷

That was, however, a rare moment of candor. What was especially disturbing was that, as Oxford University political economist Ngaire Woods pointed out, the "seeming blindness of the Fund and Bank to the failure of their approach to sub-Saharan Africa persisted even as the studies of the IMF and the World Bank themselves failed to elicit positive investment effects."³⁸

MALAWI: FROM COMPLIANCE TO DEFIANCE

This stubbornness led to tragedy in Malawi.

It was a tragedy preceded by success. In 1998 and 1999, Malawi initiated a program to give

39 Stephanie Nolen, "How Malawi Went from a Nation of Famine to a Nation of Feast," *Globe and Mail*, Oct. 12, 2007; "Starter Packs: a Strategy to Fight Hunger in Developing Countries: Lessons from Malawi," CAB Abstracts, <http://www.cababstractsplus.org/google/abstract.asp?aspAcNo=20053142997>

40 Nolen

41 Nolen

42 IMF statement, quoted in "Famine in Malawi Exposes IMF Negligence," *Economic Justice News*, Vol. 5, No. 2 (June 2002); <http://www.50years.org/cms/ejn/story/89>. This article summarizes a report by ActionAid, *State of Disaster: Causes, Consequences, and Policy Lessons from Malawi*, released on June 13, 2002.

43 World Bank Country Director Tim Gilbo, quoted in Nolen.

44 Department for International Development (DFID), "A Record Harvest in Malawi," *Case Studies*, May 8, 2007; <http://www.dfid.gov.uk/casestudies/files/africa%5Cmalawi-harvest.asp>

The World Bank and other aid donors forced the drastic scaling down and eventual scrapping of the program, arguing that the subsidy distorted trade. Without the free packs, food output plummeted.

each smallholder family a "starter pack" of free fertilizers and seeds. This followed several years of successful experimentation in which the packs were provided only to the poorest families.³⁹ The result was a national surplus of corn. What came after is a story that is a classic in the annals of neo-liberal economic blunders.

The World Bank and other aid donors forced the drastic scaling down and eventual scrapping of the program, arguing that the subsidy distorted trade.⁴⁰ Without the free packs, food output plummeted. In the meantime, the IMF insisted that the government sell off a large portion of its strategic grain reserves to enable the food reserve agency to settle its commercial debts. The government complied. When the crisis in food production turned into a famine in 2001-2002, there were hardly any reserves left to rush to the countryside. About 1500 people perished.⁴¹ The IMF, however, was unrepentant; in fact, it suspended its disbursements on an adjustment program with the government on the grounds that "the para-statal sector will continue to pose risks to the successful implementation of the

2002/03 budget. Government interventions in the food and other agricultural markets... crowd out more productive spending."⁴²

When an even worse food crisis developed in 2005, the government finally had enough. A new president reintroduced the fertilizer subsidy program, enabling two million households to buy fertilizer at a third of the retail price and seeds at a discount. The result: bumper harvests for two years in a row, a surplus of one million tons of maize and the country transformed into a supplier of corn to other countries in Southern Africa.

But the World Bank, like its sister agency, still stubbornly clung to the discredited doctrine. As the Bank's country director told the *Toronto Globe and Mail*, "All those farmers who begged, borrowed, and stole to buy extra fertilizer last year are now looking at that decision and rethinking it. The lower the maize price, the better for food security but worse for market development."⁴³

FLEEING FAILURE

Malawi's defiance of the World Bank would probably have been an act of heroic but futile resistance a decade ago. The environment is different today. Owing to the absence of any clear case of success, structural adjustment has been widely discredited throughout Africa. Even some donor governments that used to subscribe to it have distanced themselves from the Bank, the most prominent case being the official British aid agency DFID, which co-funded the latest subsidized fertilizer program in Malawi.⁴⁴ Perhaps the motivation of these institutions is to prevent their diminishing influence in the continent from being further eroded by their association with a failed approach and unpopular institutions at a time when Chinese aid is emerging as an alternative to World Bank, IMF, and Western government aid programs with all their conditionalities.

45 Joachim von Braun, "Rising Food Prices: What Should be Done?", *IFPRI Policy Brief*, April 2008; <http://www.ifpri.org>.

46 See Abhijit Banerjee, Angus Deaton, Nora Lustig, and Ken Rogoff, "An Evaluation of World Bank Research, 1998-2005," <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/0,,contentMDK:21165468~pagePK:64165401~piPK:64165026~theSitePK:469372,00.html>

47 World Bank, *World Bank Development Report 2008: Agriculture for Development* (Washington, DC: World Bank, 2008), p.138.

48 Henry Seragih 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.

49 Ibid.

Beyond Africa, even former supporters of adjustment, like the International Food Policy Research Institute (IFPRI) in Washington and the rabidly neo-liberal *Economist* acknowledged that the state's abdication from agriculture was a mistake. In a recent commentary on the rise of food prices, for instance, IFPRI asserted that "rural investments have been sorely neglected in recent decades," and says that it is time for "developing country governments [to] increase their medium- and long-term investments in agricultural research and extension, rural infrastructure, and market access for small farmers."⁴⁵ At the same time, the Bank and IMF's espousal of free trade came under attack from the heart of the economics establishment itself, with a panel of luminaries headed by Princeton's Angus Deaton accusing the Bank's research department of being biased and "selective" in its research and presentation of data.⁴⁶ As the old saying goes, success has a thousand parents and failure is an orphan.

Unable to deny the obvious, the Bank has finally acknowledged that the structural adjustment enterprise was a mistake, though it smuggled this concession into the middle of the 2008 World Development Report, perhaps in the hope that it would not attract too much attention. Nevertheless, it was a damning admission:

Structural adjustment in the 1980's dismantled the elaborate system of public agencies that provided farmers with access to land, credit, insurance inputs and cooperative organization. The expectation was that removing the state would free the market for private actors to take over these functions—reducing their costs, improving their quality and eliminating their regressive bias. Too often, that didn't happen. In some places, the state's withdrawal was tentative at best, limiting private entry. Elsewhere, the private sector emerged only slowly and partially—mainly serv-

*ing commercial farmers but leaving smallholders exposed to extensive market failures, high transaction costs and risks, and service gaps. Incomplete markets and institutional gaps impose huge costs in forgone growth and welfare losses for smallholders, threatening their competitiveness and, in many cases, their survival.*⁴⁷

FOOD SOVEREIGNTY:

AN ALTERNATIVE PARADIGM?

But it is not only defiance from governments like Malawi and dissent from their erstwhile allies that are undermining the IMF and the World Bank. Peasant organizations throughout the world have increasingly been vocal and militant in their resistance to the globalization of industrial agriculture. Indeed, it is on account of pressure from farmers' groups that the governments of the South have refused to grant wider access to their agricultural markets and demanded a massive slashing of US and EU agricultural subsidies, bringing the WTO's "Doha Development Round" of negotiations to a standstill.

Farmers' groups have networked internationally, and one of the most dynamic networks to emerge is Via Campesina (literally translated from the Spanish as "the Peasant's Path"). Via does not only seek to get the "WTO out of agriculture" or oppose the paradigm of a globalized capitalist industrial agriculture promoted by the Bank. It proposes an alternative: "food sovereignty," which means first of all, the right of a country to determine its production and consumption of food and the exemption of agriculture from global trade regimes like the WTO. It also means the consolidation of smallholder-centered agriculture via protection of the domestic market from low-priced imports, remunerative prices for farmers and fisherfolk, abolition of all direct and indirect export subsidies, and the phasing out of domestic subsidies that promote unsustain-

49 Henry Seragih 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.

Via's platform also calls for an end to the Trade Related Intellectual Property Rights regime that allows corporations to patent plant seeds, opposes agro-technology based on genetic engineering and demands land reform.

able agriculture.⁴⁸ Via's platform also calls for an end to the Trade Related Intellectual Property Rights regime that allows corporations to patent plant seeds, opposes agro-technology based on genetic engineering and demands land reform.⁴⁹ In contrast to the integrated global monoculture being created by capitalist-industrial agriculture, it offers the vision of an international economy marked by diverse national agricultural economies relating to one another but focused primarily on domestic production.

Once regarded as relics of the pre-industrial era, peasants are now leading the opposition to the paradigm of capitalist-industrial agriculture that would consign them to the dustbin of history. They have become what Karl Marx described as a politically conscious "class-for-itself," contradicting Marx's own predictions about their demise. With the current global food crisis, they are moving to center stage—and they are not without allies and supporters. For as peasants refuse to "go gently into that good night," to borrow a line from Dylan Thomas, developments in the 21st century are revealing that the presumed panacea of globalized capitalist industrial agriculture is a nightmare.

With environmental crises multiplying, the social dysfunctions of urban-industrial life

piling up and capitalist-industrial agriculture creating growing food insecurity, the farmers' movement has relevance not only to peasants but to everyone threatened by the catastrophic consequences of global capital's vision for organizing production, community and life.

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