Who's Afraid of Liberalisation?

Political Freedom Thrives with Economic Freedom

❍ **Madhu Kishwar**

Now that the Bharatiya Janata Party-led National Democratic Alliance (NDA) has received an unexpected drubbing from the voters and lost the right to form the government at the Centre, too many opinion-givers, especially those who position themselves in the left spectrum, have interpreted it to mean a vote against economic reforms, which in turn they see as being quintessentially anti-poor and pro-rich.

Nothing could be further from the truth. The NDA alliance lost this election because its reforms agenda was not far-reaching enough. It did not touch the lives and livelihoods of the vast majority of the Indian people. This point has been consistently highlighted in various issues of MANUSHI, *(See, for example, issues 92-93 of 1991 and 116 of 2000.) For the purposes of this essay, we are repringting an extract from my article, "Laws, Liberty and Livelihood" from issue 116.*

The apprehension and lack of enthusiasm around economic reform among the general public is mainly due to the fact that the entire discourse on economic reforms has been stunted by a single-minded focus on the entry of multinational corporations, the concerns of the Indian corporate sector and the fate of government-run public enterprises, as they prepare to deal with a market open to competition. These are valid concerns. But we cannot afford to overlook the fact that Indian and foreign corporations together with public sector undertakings provide employment to no more than three per cent of our population. Another three per cent are employed in various government agencies. The vast majority of our people are still either dependent on agriculture and allied occupations, or work in the unorganised sector of industry as self-employed artisans, or service providers. Thus, the vast majority of our people are self-employed, as against about ten per cent in Europe and America. Their economic well being, unlike that of the tiny salaried class, depends on the economic health of small family enterprises with few or no employees. Yet, the concerns of this overwhelming majority (nearly ninety-four per cent) have found very little place in the minds of those pushing for reforms.

Concerns regarding economic reforms have long been articulated, too often in distorted and mistaken forms, mainly by anti-reform lobbies, most of whom have ended up as defenders of statist controls, tighter regulations and increased government monopoly in key sectors of our economy. The fears and phobias unleashed by the confused and half-hearted preliminary steps for dismantling bureaucratic controls over the Indian economy, has made them see the license-permit-raid *raj* as an ally, a necessary instrument for keeping the greed of the rich and powerful under check.

Despite their day to day experience with the failure of our present economy to provide dignified livelihoods to the people, the anti-reform lobby insists that moving to a more market-oriented economy would only enrich the already wealthy at the cost of the poor, leading to greater impoverishment of the majority. The fact is that the poor need the economic freedom provided by functioning markets even more than the rich if they are to move out of the poverty trap. Attempts to restrict or prohibit their access to the market often leads to loss of political freedom as well. There is all pervasive evidence that the poor are among the worst victims of arbitrary statist controls over our economy and are squeezed even more than the rich under our still flourishing license-permit-raid *raj*.

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Our archaic colonial-style laws allow those occupying government offices the power and the legal right to obstruct and fleece citizens for virtually every economic activity including begging! For the poor, bureaucratic controls do not merely stop at extortion, but also facilitate subjecting them to routine violence, humiliation and arbitrary acts that seriously jeopardise not just their livelihoods but also their lives. Earning a simple living has become a high-risk venture for most people in India. Their survival and dignity are daily assaulted by the agents of the all-pervasive *mai-baap sarkar*, forcing them to seek protection through *goondas* and *dadas* who act as touts between them and the bureaucracy. This has kept the incomes of our people artificially depressed, destroyed their self-confidence and eroded their self-esteem.

from "Laws, Liberty and Livelihood"
MANUSHI, issue 116, Jan-Feb 2000

(A good glimpse of the erosion of the dignity of our people's livelihoods is provided by MANUSHI*'s reports on the economic assaults on Delhi's street vendors and cycle rickshaw pullers. See issues 124, 125, 126, 128, 134, 135 and 137.)*

A great deal of the ire of the anti-reform lobby in India has been focused at the economic regime being institutionalised by the World Trade Organisation (WTO), which is seen as yet another First World conspiracy to enslave the economies of poor Third World nations. The phobic propaganda being carried out against the WTO builds cleverly on the memories of colonial subjugation that India experienced when its entire economy was forced to serve the interests of Britain.

The WTO as it currently stands is an imperfect instrument because of its current biases in favour of trade distortions, biases brought about by First World countries who provide hefty subsidies for their agricultural products. Despite these, however, it still represents a historic paradigm-shift away from nineteenth and twentieth century imperial domination in world trade. This is the first time in history that so many nations of the world have a rule-based, multi-lateral regulatory body for the trade of goods and services. A unique feature of this body is that it provides developing countries the possibility of using their numerical strength to bring about more just terms of trade. So far, in international decision-making bodies, such as those of the United Nations, powerful First World countries have had disproportionate influence because they have the right to veto any decision taken, no matter how big the majority of the members that have arrived at that decision. However, under the WTO regime not even 'superpower' America has the privilege of vetoing any decision, including those that go against it.

This is not to deny that the US and other First World countries try their best to twist decisions in their favour, or, failing that, try to impose unfair terms of trade on poorer nations. When trade relations are carried out on a bilateral basis between rich and poor countries, it is easy for the wealthy and powerful partner to coerce a politically and economically weak nation into accepting unfavourable trade terms. The big difference that has come post-WTO is that these terms are no longer decided solely by bilateral arrangements, but mainly through a multi-lateral forum where the rules of the game are, at any rate in principle, to be decided through consensus, where poorer countries can at least stall and obstruct unfair trade practices by effective lobbying, even if they cannot always expedite decisions in their favour. When any member tries, through overt or covert means, to use its economic clout to impose unfair rules on others, the WTO provides a forum for grievance redress. The principle of non-discrimination writ into the WTO mandate has enormous potential for benefiting Third and Second World countries, especially if they lobby together for its implementation.

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New Equations

Thus, for the first time in history, world trade is governed by clearly laid out rules, which can be changed and amended through due process, if found to be unfair or discriminatory. Unfair trade deals can be exposed through open scrutiny before the entire comity of nations, most of which have no interest in being the satellite economies of a few superpowers. Moreover, the internal conflict of interests between various First World economies allows developing countries to find allies in various combinations for specific issues. Developing countries, of course, are also in competition with each other and, therefore, cannot always act as a solid block. However, by effective lobbying, they have sometimes, on account of their numerical advantage, been able to muster enough clout as a collective to take on the might of the developed world. It is not for nothing that the fiercely self-willed Chinese government, which has hardly ever yielded to bullying by the West, has fought hard to be included as a WTO member.

As we saw at Cancun, the focus of debate has shifted from the trap of "free trade" to the issues of "fair trade". Many WTO provisions can go in favour of poorer countries. For example, the WTO mandates a progressive withdrawal of agricultural subsidies and a removal of tariff barriers, both of which hold market forces hostage to political expediency. Agriculture in First World countries, however, is heavily subsidised. The US and the EU together give away more than $300 billion annually by way of straight subsidies to farmers. Food prices in these countries are extremely low because of over-production. Without subsidies, the highly capital-intensive farming sectors of these economies would simply collapse. Yet, these subsidies are mostly cornered by the same industrial-size corporate farms that have also destroyed small- and medium-scale farmers in their countries. Fred Bergsten, Director of the Institute for International Economics in Washington, says: "Our American subsidy system is a crime." Ian Goldin, the World Bank's

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Vice-President for External Affairs, says, "Reducing these subsidies and removing agricultural trade barriers is one of the most important things that rich countries can do for millions of people to escape poverty all over the world…. It's not an exaggeration to say that the rich countries' agricultural policies lead to starvation."

According to a recent estimate by none other than the hated World Bank, scrapping farm protection and output subsidies in rich countries would boost global agriculture production by seventeen per cent, adding $60 billion a year, or six per cent, to the rural incomes of low- and middle-income states. This could yield gains of $2.8 trillion by 2015, of which $1.5 trillion would go to developing countries. A white paper by the British government on globalisation, states that a fifty per cent reduction of import duties in developed and developing countries would add about $150 billion to the national incomes of under-developed ones.

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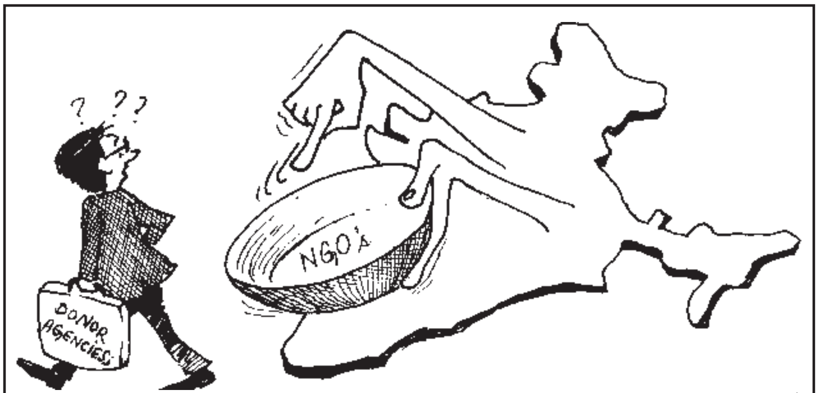
Protests on Cue

It cannot be a coincidence that a strong movement against globalisation and multinationals began to emerge in the West only over the past decade, even as the WTO regime began to level the playing field in favour, for once, of Second and Third World economies. During this period, other developments began to be consolidated as well. Multi-National Corporations (MNCs) began shifting their manufacturing base to Asia in a big way, leading to both large-scale job losses and capital-flight in First World countries. The fact that many MNCs owe little or no loyalty to nation-states and move to whichever countries they find profitable to operate from, has earned them the wrath of western professionals and trade union leaders who derogatively refer to them as 'foot-loose' companies.

There was no comparable criticism of MNCs as long as they merely sought export markets in the Second and Third World. Dumping MNC goods on Second and Third World economies is beneficial for the First World, but only so long as the MNCs stay based at home. However, ever since the MNCs started shifting their manufacturing base, flooding Western markets with 'Made in Korea', 'Made in China' or 'Made in Mexico' labels, there is a perhaps legitimate panic in the First World against this reversal in the flow of goods and money.



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Many MNCs, of course, especially those involved in defence production or construction activities, stay loyal to the governments of their mother countries. They require, and receive, the political clout of their governments to push through their business deals. Even Coke, Pepsi and McDonald's depend on their politicians for help in opening new markets for them. But most MNCs do not act at the behest of the White House in Washington, especially when their profits are outside of their countries, and when their home government's policy goes contrary to their corporate interest. Witness how American and West European governments are battling to enforce a sense of economic loyalty in their MNCs towards some of their respective home bases. On 23 January 2004, the US Senate passed a law barring American MNCs from sub-contracting to non-Americans the work given to them by the American government, all because of the fear of domestic job losses. The very fact that special laws need to be passed shows that a significant proportion of MNCs are not voluntarily complying with the demands of their governments because they realise that if they abide by such governmental dictates, they will not be able to compete with their rivals globally.

Running Scared

The panic in First World countries is compounded by the fact that several Asian economies, including India, which began by inviting MNC investments, have now generated enough wealth and expertise to start their own MNCs. These Asian MNCs have begun to give their western counterparts a genuine run for their money in many manufacturing activities, barring defense equipment which is still a Western monopoly. China alone now produces fifty per cent of the world's cameras, thirty per cent of its air conditioners and televisions, twenty-five per cent of its washing machines, twenty per cent of its refrigerators and eighty per cent of the world's toys. Today, China's annual exports are over $ 266 billion, from $ 62 billion in 1990.

The steel quota and tariff initiative of the US, the US Farm Bill, the recent US ban on outsourcing and the EU Non-Tariff Barriers on food and agro-exports from India are examples of the developed world turning protectionist and moving away from what it preaches. It is no surprise that huge protest demonstrations are being organised by Western trade unions, farmers' unions, professionals and intellectuals. They do so with the full support of many First World governments and donor agencies that actively woo Third World protesters to add numbers to their campaigns, to give them the appearance of a global movement against globalising. The angry scenes at Seattle and Rio, the huge presence of representatives of Western governments at the World Social Forum in Mumbai and the massive funds being poured into the coffers of Third World anti-globalisation movements are clear indications of how threatened the First World feels at the change in equations following the WTO. The First World is running scared and it has good reason to – even a hitherto poor performer like India is beginning to give genuine cause for worry.

Indifference to Farmers' Woes

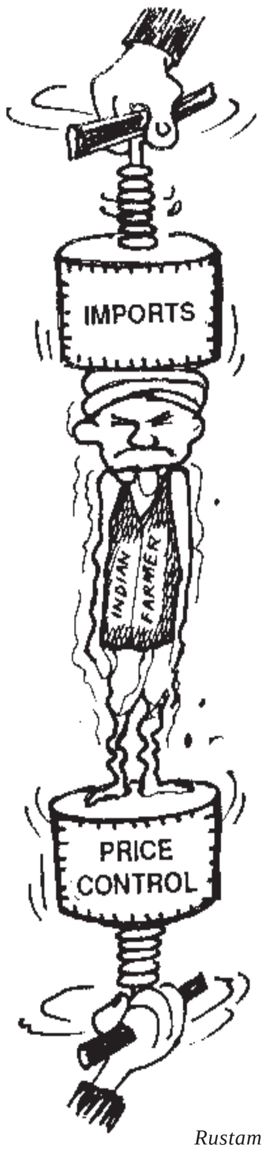
That some First World governments and workers are worried about MNC mobility is understandable – though if MNCs are as bad as they are made out to be, Western radicals should surely be happy to be rid of them. But what is hard to understand is why certain Indian NGOs and intellectuals are upset at the prospect of a dramatic increase in employment opportunities in upwardly mobile jobs for the people of India.

It is noteworthy that all those who go and make common cause with American and European farmers against the WTO never showed any inclination to join in solidarity with India's farmers' movements when they waged long drawn out battles against the price warfare carried out by the Indian government against the country's own farmers.

Our farmers have, for decades, borne the brunt of artificially depressed prices leading to negative subsidies. Negative subsidy is calculated as the difference between the prevailing international price of a commodity and the actual price at which the farmers of a country are compelled to sell their produce, largely due to denial of market access. If First World subsidies are abolished, and if our farmers have access to the necessary infrastructure, they are likely to be the net beneficiaries because their produce would have a price advantage in the international market.

It is unfortunate that many of our bureaucrats and politicians have been slow in learning the art of negotiating advantageous deals for India in international trade negotiations. The WTO regime, in opening up closed-door economies to imports, expected a slow and phased reduction in tariffs. Instead, our policy-makers went too fast on opening up to some imports, especially in agriculture, but did little to encourage and enable India's exports side by side. To give just one typical example: while exports of Indian fruit grew by fourteen per cent in 2002-03, our fruit imports grew at fifty-eight per cent during the same period. The US, Australia, China and some other nations disallow Indian fruits on many a flimsy ground, including the fear that these could be carriers of dangerous pests. But India had no laws to protect its farmers either against the invasion of foreign fruit poaching on the local growers' markets, or against the possibility of harmful pests coming in with foreign farm products. When it was found that a mysterious disease had destroyed most of the apple crop in Himachal Pradesh in 2003, and that an alien pest has struck our coconut farms for the last two years, knee-jerk remedial measures were announced as late as 25 January 2004. Attempts were made to put similar curbs on fruit imports as India has faced with fruit exports, but this too was done without proper inspection mechanisms in place.

Where the governments of wealthy nations encourage exports instead of discouraging them, our government has a long history of obstructing the export of farm produce through outright bans or arbitrary quotas. For decades, Indian farm produce had ready buyers in the international market because of its quality and price competitiveness. This, despite the systematic hurdles put in farmers' way, the lack of adequate power and irrigation facilities and the denial of access to the best available farm technologies. But today, while rapid biotechnology advances in the West have led to a phenomenal increase in productivity and a lowering of prices, our farmers have lost their market advantage abroad, especially in some important crops such as wheat and oilseeds, thanks to government restrictions on farm exports.



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India is one of the few countries in the world whose government has repeatedly dumped imported farm produce – wheat, sugar, cotton, cooking oil and lentils – on the domestic market in order to depress the prices of the produce of Indian farmers. And yet all those who claim to stand up for *swadeshi* today did not register even a nominal protest against policies designed to wreck the Indian farm sector. For example, in 1992 the domestic procurement price of wheat was fixed at a low of Rs. 280 per quintal, which led to much resentment among Punjab farmers. The farmers wanted to hold back their stock in the hope of selling their wheat at better prices, after the government procurement drive was over. To browbeat them into submission, the government imported three million tons of wheat at a landing price of Rs. 540 per quintal from Australia and Canada. This, despite the fact that there was no grain scarcity and Punjab had produced a bumper harvest at that time. This naturally had the intended effect on the domestic market – wheat prices were artificially depressed. We did not hear any protest from the anti-globalisation, neo-*swadeshi* lobby at that time.

Anti-farmer Price Wars

In 1997 the government procurement price of wheat was announced at Rs. 415 per quintal. Faced with a howl of protest, the Food Corporation of India (FCI) conceded a bonus of Rs. 60, totalling Rs. 475 per quintal. Farmers had demanded Rs. 650 as the procurement price. Again, as a deliberate measure of price warfare, wheat was imported at a landing price of Rs. 780-800 per quintal. Later that year, at the time of the winter harvest, the government-announced price was Rs. 480 against the open market price of Rs. 543. Yet again wheat was imported, which cost between Rs. 750-800 per quintal, when landed in India. Earlier, in September-October 1996, faced with a temporary *atta* crisis, the government came up with a typical knee-jerk reaction and banned the export of wheat completely. At the same time, wheat imports were opened at zero duty. We did not hear any protest from the anti-globalisation lobby at this point either.

In 1999, there was a big crash in international wheat prices. The Indian government at that time imported two million tons of wheat, even though our FCI godowns were chock-full with three or four years' worth of buffer stocks. Domestic producers were paying eleven to twelve per cent taxes on wheat. But imported wheat was allowed at zero duty. Later, a Central Bureau of Investigation (CBI) inquiry had to be ordered to find out who benefited from that deal. A fifty per cent duty was imposed on wheat imports only after the situation became explosive in the countryside. At this juncture, too, the silence of the anti-globalisation lobby was deafening.

Onion Tears

The same flip-flop policies have been at play with other crops too. Take the example of the way onion shortages were handled over the last few years, starting with the Onion Crisis that brought down the BJP government in Delhi in 1998. That year, there was a massive shortfall in onion production, owing to the El Nino factor. As expected, onion prices rose dramatically, till they peaked at Rs. 60 a kilo. Hysterical media coverage created

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such panic in the Delhi Durbar, that the Delhi government went ahead and imported onions at Rs. 30 a kilo with the landing price being no lower than domestic prices at the time. These were sold through government outlets to urban consumers at the subsidised rate of Rs. 10 a kilo. No neo-*swadeshi* tears were shed over the fact that *videshi* onions were being dumped on the market to depress the prices of *desi pyaz*. The whole issue came to be seen through the eyes of the urban consumer; media reports made it seem as though cooking without onions would cause Delhiites a serious dietary crisis. Had we seen the situation through the eyes of the farmer, we would have appreciated the fact that the temporary high prices of this item would help them recover, at least in part, the losses they had incurred due to the crop shortfall that year.

Since then, onions have been covered under the Essential Commodities Act. In effect, this means that their exports can be banned whenever their price shows the slightest tendency to rise. As soon as the price of onions reaches, say, Rs. 9 a kilo, and the farmer begins to get a decent return of about Rs. 3 to 4 a kilo, exports are banned and the prices come crashing down. When this happened in 2001, BJP minister Pramod Mahajan had to face a shower of rotten onions when on a visit in Nashik. He got the message and, on his return to Delhi, had the export ban lifted. About a hundred thousand tons' export quota was announced. But long before that quota was completed, when there were still 36,000 tons yet to go, onion export was abruptly stopped again.

Devious Games

Such devious games continue till date. Last year, in February, onion exports were banned after the harvest, to ensure that farmers would

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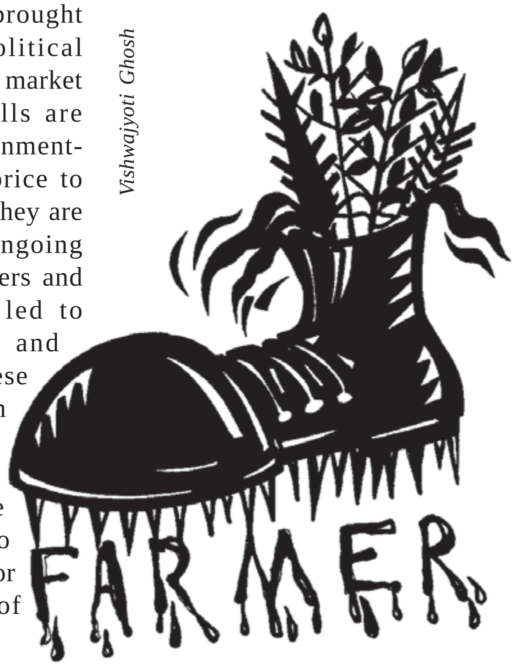
not get good prices and traders could buy them cheap. However, the ban was lifted in April, so that traders could export the cheap stocks they had purchased and make good money from selling at higher prices. It goes without saying that the traders would have paid hefty bribes to politicians and bureaucrats to get the ban lifted.

In January 2004, while the Government made a pretense of offering several pre-election sops to farmers, another ban was announced on onion-export, on the eve of the onion harvest. It was lifted within a few days because the Shetkari Sangathana in Maharashtra led massive protests outside BJP offices, putting coal tar on their doors as a mark of shame. Since the BJP government was planning to hold early elections, they responded promptly enough and lifted the ban.

Such on-and-off export policies have meant that our exporters are not trusted as suppliers in the international market and are unable to make a firm place for our farm produce. In the domestic market, artificially depressed prices can sink so low that farmers have to plough their crop back into the soil, because the price it fetches does not cover even the transport cost to the market, leave alone the cost of production.

Sugarcane farmers are another demoralised lot. This sector has witnessed several messy interventions, even during the reform period. While *zonebandi*, which forced farmers to bond their crop to local sugar mills, has been lifted and the compulsory levy on sugar has been abolished, the sugar mills are currently in a crisis because the Government imported huge quantities of sugar from Pakistan and dumped it on the Indian market. Once again prices were brought down through political machinations rather than by market forces. Today, sugar mills are refusing to pay the government-fixed minimum support price to farmers, because they say they are working at a loss. The ongoing battles between cane farmers and the sugar industry has led to massive demonstrations and protests. In "curbing" these protests, the police often side with the industrialists, many of whom also use hired musclemen to intimidate protesting farmers into withdrawing their claims for the thousands of crores of rupees due to them.



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Uninformed Pressure Tactics

Far from resisting such onslaughts on the Indian farmer, most of those who claim to represent the interests of the poor in India seem to have unwittingly played an active role in impoverishing our people through the agendas they pursued. One of the central items on their pro-poor demand list has been that the State keep providing subsidised essential foods for the poor through the government-run Public Distribution System. Even if we don't pay attention to the mammoth cost of corruption, the leakages and the inefficiency inherent in the government-run food distribution system, the very logic of this demand has spelt disaster for our country.

It makes no sense to first rob the farm sector of all possibilities of generating employment and wealth through unremunerative farm produce prices, and then to try to bring village-based families 'low-cost' food grains through the public distribution system.

Sixty-five per cent of India's poor live in villages and are either wholly or partly dependent on the farm sector. Whether as farmers or as hired labourers, their incomes depend on the surplus generated in the farm sector. If the government is compelled, due to pressure from ill-informed agitationists, to provide wheat and rice at Rs. 2 or Rs. 3 per kg, it has no option but to force farmers to sell these crops at the lowest possible price. This has invariably meant the use of coercive means and bans on exports. All this makes farming a loss-making proposition with the inevitable effect of depressing labour rates in the farm sector. If the farmers do not make adequate returns, they cannot pay good wages, nor can they diversify into entrepreneurial activities because their capacity to save and invest is impaired.

A Colossal Waste

It makes no sense to first rob the farm sector of all possibilities of generating employment and wealth through unremunerative farm produce prices, and then to try to bring village-based families 'low-cost' food grains through the public distribution system. This food is first mopped up from villages at artificially low prices, and taken at enormous cost to government godowns. It is then haphazardly distributed to various parts of the country at an even greater cost – sugar from Maharashtra is taken to Andhra Pradesh, rice from Tamil Nadu is taken to Madhya Pradesh, and so, chaotically, on.

According to agricultural economist Ashok Gulati, the Food Corporation of India spends Rs. 4 for every Rs.1 worth of food grain it provides to a Below Poverty Line (BPL) family. In states like Andhra, the cost is even higher: Rs. 6 is spent to get Rs. 1 worth of food for the poor. The colossal waste of this entire exercise is evident. Following criticism that most of the 'subsidised' food was being supplied to the better-off urban consumer, since eighty per cent PDS outlets were located in urban areas, the government decided to revamp the system. The Antoyodaya Anna Yojana (AAY) was launched on 25 December 2001, to provide 25 kgs. of grain to BPL families. From April 2002, the entitlement was increased to 35 kgs. a month. The government calculation is: twenty-six per cent of India's population is BPL – which comes to roughly six crore households. The government's budget provides Rs. 10,000 crore for rural anti-poverty schemes. A total of Rs. 49,907 crore is spent on subsidies on food, fertilisers, LPG and PDS kerosene. That is a neat Rs. 60,000 crore.

As economist Bibek Debroy points out, if you include all subsidies, the total bill is a colossal figure of Rs 274,352 crore. If you transfer this money directly to the thirty crore people below the poverty line, each such individual will get Rs. 9,145 a year amounting to nearly Rs. 46,000 per household. If this transfer had actually occurred, there would be hardly any destitution left in India. Instead, we are allowing billions of rupees to be legally and illegally siphoned off by the bureaucracy in the guise of anti-poverty schemes, while most of those who work in agriculture remain in extreme poverty.

If only rule-based, redressal mechanisms of the WTO variety had been institutionalised, and made available to Indian farmers, to safeguard them against the unfair trade practices imposed by the Indian government, they would not be as impoverished and debt-ridden as they are today.

The numerous restrictions imposed by the government on the farm sector and other self employed poor have led to depressed farm incomes, stagnant agricultural production, distortions in trade and pricing, obstructing the organic growth of agro-industries causing flight of capital and skills from rural areas without any comparable increase of opportunities in the urban economy.

If only rule-based, redressal mechanisms of the WTO variety had been institutionalised, and made available to Indian farmers, to safeguard them against the unfair trade practices imposed by the Indian government, they would not be as impoverished and debt-ridden as they are today. In the absence of such mechanisms, all they can do is wage interminable struggles and express their resentment through protests, which every now and then turn violent and invite massive repression. Occasionally, near election-time, they have succeeded in pressuring politicians to yield to some of their demands with temporary knee-jerk concessions. Farmers who fight for justice on their own strength receive very little sympathy or hearing from our intellectuals, media and other sections of the educated elite.

Voting with their Feet

Not surprisingly, many leading farmers' organisations, including the All India Kisan Coordination Committee welcomed the WTO regime with enthusiasm because they see vast opportunities opening up for India's farmers, if the WTO system is implemented with sincerity. In 2003-04, cotton farmers in Maharashtra, India's leading cotton-producing state, managed to break down the government monopoly on cotton procurement, enforced through draconian means, such as confiscating crops or arresting farmers on smuggling charges.

In November 2003, when the Government opened its procurement centres to much fanfare, the farmers voted with their feet: no one turned up to sell their cotton. The government was offering Rs. 2300 per quintal, whereas the open market price ranged from Rs. 2950 to Rs. 3200 per quintal. In sheer embarrassment, the procurement officials had to make token purchases from the open market for the *mahurat* ceremony. Earlier the government would import raw cotton to bring down domestic prices. However, since the international cotton prices were, at this time, much higher, this option could not be used. Thus, the monopoly procurement programme has collapsed in Maharashtra due to people's non-cooperation and their following market forces rather than government dictates. Restrictions on inter-state movement of raw cotton have not officially been removed but the Maharashtra Government has stopped using pressure tactics to enforce the free trade of cotton.

The dramatic change in the farmers' fortunes provides a good example of the potential for the Indian farm sector, if the government gets off their backs and lets them fend for themselves. Our cotton farmers are finally feeling happy and hopeful after long years of losses and mounting debts. They are able to demonstrate their capacity to be competitive both in price and quality even against the heavily subsidised farmers in Europe and America.

Misleading Campaigns

Activists like Vandana Shiva have taken aggressive stances against new hybrids and BT cottonseeds – postures which have only delayed the availability of high-yielding, pest-resistant seeds to Indian farmers that would enable them to bring about dramatic increases in cotton production. However, farmers in Gujarat and a few other places began using these seeds in open defiance of government restrictions. Those who did are registering enormous increases in production and a dramatic reduction in costs. Today, it takes Rs. 2300 to produce a quintal of cotton with ordinary seeds. With new seed varieties, the price could come down to a low of Rs. 700 per quintal, making it possible for Indian cotton to compete internationally.

We should be proud of the fact that Indian farmers are among the leading voices for economic freedom and have been battling the government to allow them to prove their worth in the international market. And yet, economic reforms in agriculture remain niggardly and halfhearted. This, when even our hitherto indifferent chambers of commerce are also acknowledging that industrial growth cannot be sustained without a big boost in agricultural incomes and production. It is common knowledge that the much-vaunted "feel good" factor for 2003 is, in large part, due to a good monsoon. That we have still to outgrow our critical dependence on the whims of the weather is underscored by the BJP government's preponement of the 2004 general election – in effect, they openly acknowledged that they could not risk the "feel good" mood giving way to "back to gloom", in case 2004 turned out to be a drought year. As it happened, they found to their dismay that farmers were in no mood to give the BJP credit and votes for a good monsoon, especially since the party did very little to remove other *sarkari* hurdles that depress farm incomes. Even with a good monsoon producing a bumper harvest our farmers usually end up impoverished because they do not get an adequate price for their produce.

Hired Rallyists

When political parties in India hire people from slums and villages by the truckload to present a show of strength at political rallies, we tend to frown upon this as an example of political corruption and the cynical manipulation of people by our *netas*. Likewise, we look down upon those who sell their votes to this or that party for a couple of hundred rupees or a bottle of liquor. All these are seen as signs of undermining our democracy. However, by contrast, we are failing to register the significance of a new kind of deluded or hired rallyist who has emerged on the international scene. From Seattle to Mumbai, most of the self-styled radicals demonstrating against the WTO have had their air tickets and per diem expenses paid for by a whole range of western donor agencies that are financing the politics of trade barriers and are closing borders against the flow of goods and services from Third and Second World countries. It is dishonourable enough that the Anti-Globalisation Brigades in the West want to fire their guns from the shoulders of Third World people by claiming that the Third World would be devastated by freer trade regimes. But it is even more dishonourable that our so-called radicals are happy at being thus used for defending the interests of First World farmers, industrial workers and professionals, and yet pretend that they are speaking on behalf of the impoverished farmers and the working poor of India.

This essay is an extract from the author's book ***Deepening Democracy: The Challenges of Globalisation and Governance****, shortly to be released by the Oxford University Press.* ❑

Errata

In my essay, "Physician, Heal Thyself" in issue 140, I wrote that NGOs in India are receiving $1 billion a year by way of grants from First World donor agencies. One of my colleagues at the Centre for the Study of Developing Societies who has done a study on foreign funding of NGOs pointed out that the figure is close to $ 3 billion. The error is regretted.