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# **MAKING POVERTY INEVITABLE**

*The Consequence of the UK Government's  
Damaging Approach to Global Trade*

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## INTRODUCTION

Efforts by the UK government to show international leadership on combating global poverty are welcome. However, there is a mistaken and corrosive flaw at the heart of its response to calls to 'Make Poverty History'. This is its belief that the route to poverty eradication is for developing countries to be encouraged, and in many cases pressurised, to increase their involvement in global trade. Their ill founded, but oft quoted, assertion that increasing exports are a vital means to helping the poor is used as the excuse to force all countries to reduce tariffs and quotas under the self contradictory call for more 'fair and free trade' – for free trade is very rarely fair. The UK is of course not alone in pursuing this approach. The rich countries are united in their belief in this flawed model, and indeed it the trans-national companies mostly headquartered in their countries that are the major beneficiaries.

The United Nations Conference on Trade and Development's Least Developed Countries Report 2004 made clear that: '...even where the LDCs have increased their overall export growth rate– as many (including non-oil commodity exporting LDCs) did in the 1990s– better export performance rarely translates into sustained and substantial poverty reduction.'<sup>1</sup>

Using recent developments in India as a case study, this report will make the case that, for international trade to really benefit the poor, it needs to be constrained to benefit the majority,

rather than increasingly unfettered to benefit the few. Tariffs are crucial for a country to protect itself from the adverse effects of other countries' exports on its domestic economic security e.g. the subsidised dumping of EU food surpluses onto the markets of developing countries.

Quotas are vital in providing some security of access for exports from poor countries to the rich. For example, developing countries account for more than half of the world's textile exports and nearly three-quarters of its clothing exports.<sup>2</sup> Until it was dismantled by the WTO on midnight on 31<sup>st</sup> December 2004, some developing countries had a virtually guaranteed, albeit limited, export market to rich countries under the protective quotas provided by the Multi-fibre Arrangement (MFA). Although far from perfect, the expected demise of the MFA will make things far worse for today's poorer country exporters, since a large part of the market share of such countries will be taken by their major third world competitor – China. In short the 'free and fair trade' approach won't make poverty history – it will make it inevitable.

## THE UK'S AGENDA OF FREE TRADE INJUSTICE <sup>3</sup>

Tony Blair called for 2005 to be the "year of decision" in which the world must choose between a successful Africa "standing proud in its own right in the international community" or a continent burdened with continuing poverty.<sup>4</sup>

**FOUR KEY AREAS WHERE THE UK GOVERNMENT'S FREE TRADE PRIORITIES ARE DAMAGING THE DEVELOPING WORLD<sup>5</sup>**

1. Trade negotiations at the WTO – The UK government has been at the forefront of pushing an aggressive ‘free trade’ agenda at the WTO, dismissing developing country pleas that they should be allowed to defend their infant industries from predatory EU and US multinationals.
2. Bilateral trade agreements – The UK also stands behind the damaging Economic Partnership Agreements (EPAs) designed to open up markets in African, Caribbean and Pacific countries, exposing small-scale producers to overwhelming competition from powerful multinationals.
3. Privatisation of services in developing countries – The UK has taken the lead in promoting privatisation of public services in developing countries, despite the increases in poverty this has brought. Department for International Development (DfID) has channelled millions of pounds from the aid budget to privatisation consultants such as KPMG, PricewaterhouseCoopers and the Adam Smith Institute, engaged to ‘advise’ developing country governments on the privatisation of their public services.
4. Corporate accountability – The UK government has undermined international calls to hold multinational corporations to account for their activities overseas, championing the voluntary alternative of ‘corporate social responsibility’ rather than corporate regulation.

The Chancellor Gordon Brown has set out his own Marshall Plan for the world’s poorest countries, with the UK taking the lead in pushing for more aid and debt relief.<sup>6</sup> The key mechanism to achieve this is the International Finance Facility (IFF) for aid, which raises additional finance in the short term via bonds issued against government pledges to increase aid levels in the long term.<sup>7</sup> Positive as this might sound on first consideration, it is driven by a conventional trade liberalization agenda since Gordon Brown has stated that the government will require poor countries to open up their markets to foreign trade as a condition of receiving aid under the IFF, which experts say could cancel out precisely the benefits it seeks to achieve.<sup>8</sup>

Gordon Brown has also proposed measures to tackle the continuing scandal of Third World debt, which forces the world’s poorest countries to pay £30 million every day to the World Bank, IMF and rich country donors. However these measures too, will be self-defeating if the UK government continues to impose harmful economic policies such as privatisation and trade liberalisation on developing countries as a condition of receiving debt relief.

Indeed, in reality, as groups like War on Want, World Development Movement and Friends of the Earth have made clear, ‘the UK government remains one of the chief obstacles in the fight against international poverty and environmental degradation. The government continues to espouse an economic model that promotes privatisation and liberalisation as the

keys to poverty reduction and environmental protection, despite Those on the receiving end of this approach, many of them partners of these NGOs, have made clear that ‘the UK’s lead role in promoting

massive resistance from local communities across the world.’ privatisation, deregulation and ‘free trade’ has led to increased poverty and environmental degradation on a grand scale’.<sup>9</sup>

#### CASE STUDY

##### India :How the neo-liberal approach to trade, aid and debt relief exacerbates global poverty.

*‘DfID is committed to the rapid liberalisation of agricultural trade’<sup>10</sup>*

Many of the adverse effects of the UK Government’s misplaced obsession with open markets and export growth as a main motor for poverty eradication were exemplified by their aid policy for the Indian State of Andhra Pradesh. There, the UK’s Department for International Development (DFID) and World Bank were financing a project, Vision 2020. This aimed to transform the state to an export led, corporate controlled, industrial agriculture model that was thought likely to displace up to 20 million people from the land by 2020.<sup>11</sup> There were no ideas or planning for what such displaced millions were to do and despite these fundamental and profound upheavals in the food system, there had been little or no involvement of small farmers and rural people in shaping this policy.

Vision 2020 was backed by a loan from the World Bank and was to receive £100 million of UK aid, 60% of all DfID’s aid budget to India.<sup>12</sup>

Andhra Pradesh has the highest number of farmer suicides in India. Many have been caused by the amassing of unpayable debts taken out in order to pay for expensive seeds and chemical inputs for export crops like cotton, yet not providing poor farmers with the promised returns. There were about 3000 farmer suicides in Andhra Pradesh in the 4 years prior to the May 2004 election and since the election there have been 1300 further suicides.<sup>13</sup>

#### INDIA’S DEMOCRACY SOLD DOWN THE PRIVATISED RIVER

In May 2004, India’s farmers, who make up 70% of the population, voted out the BJP led government and its coalition partners which fought the elections on the slogan of “shining India”, emphasising an urban, high tech future. But India was not shining

for the vast majority of her farmers, and this was reflected in the election result of the world’s largest democracy.

However, the Congress led government which came to power on the back of the farmer’s votes is already betraying its election mandate. Key positions have been occupied by neoliberals, some being parachuted in

straight from Washington. This includes Montek Singh Ahluwalia who heads the Planning Commission. Thus while the small farmers of India voted for the new government to solve their livelihood problems, the people making decisions get their direction not from the Indian people but from World Bank, W.T.O and giant corporations.

Indeed a growing number of laws and policies are being pushed through undemocratically since the election, which threaten to rob the poor of their seeds, their food, their health, and their livelihoods.

Examples include:

- A new patent ordinance, dubbed the 'Tsunami Law' since it was sneaked in on Boxing Day, introduces product patents on seeds and medicines. The increase in price involved is expected to increase poverty, hunger and disease by putting seeds and medicines beyond peoples reach. Prices increase 10 to 100 fold under patent monopolies.<sup>14</sup>

Since India is also the source of low cost generic medicines for Africa, the introduction of patent monopolies in India seems likely to increase debt and poverty globally. Millions could die if affordable medicines for HIV/AIDS, malaria, T.B, cancer, diseases causing diarrhoea are no longer produced in India.

Indian generic Aids medicine costs \$200 per year of treatment, whereas the patented Aids drug can costs \$20,000 per year of treatment.<sup>15</sup> This unacceptable level of profits through patenting led to the protest before the

WTO's Doha Ministerial meeting in 2001, which in turn led to the public health declaration allowing countries to import low cost generic medicine from India. However, with India's Patent Laws being changed to impose monopolies through produce patents, low cost alternatives that India's process patent laws allowed, will no longer be available.

African countries will be denied a source of affordable medicine promised through the Doha Declaration. The impact of exclusive rights is already being felt in India with the Novartis monopoly over an anti-cancer drug *glivec*. Four Indian companies that used to make the drug could offer it for \$200 per month for treatment, but they have been ordered to shut down because of exclusive marketing rights granted to Novartis. The same treatment will now cost \$2500 per month.

- Since the election new policies for water privatisation have been introduced. These include the privatisation of Delhi's water supply, which has pushed water tariffs up by 10-15 times. This threatens to deprive the poor of their fundamental right to water, and diverts scarce incomes to pay water bills which collect ten times more revenue than is needed to cover the cost of operations and maintenance.<sup>16</sup> This emphasis on privatisation is something close to the UK government's heart. It has regularly imposed privatisation of public services as a condition of British aid to the poorest countries - and still seeks to do so in its 'new' strategy on conditionality issued as part of the government's current consultation on aid.<sup>17</sup>

- The original Agricultural Produce Marketing Acts were designed by India's states with the objective of ensuring that farmers get a proper price, and traders and brokers are not free to exploit producers by buying their produce at a lower price. The "mandis" (markets) governed by the Acts also offered farmers transportation, storage, and grading, as well as guaranteeing a fair price. By having many traders, and a ceiling on volume traded, monopolies could not emerge in the mandis. Amendments in the Marketing Acts since the election will remove all regulation on price and volume of purchase. Giant corporations can now set up private markets, not regulated by the market committee. This is a recipe for destroying local markets, and through market destruction, destroying local production. India produces thousands of crops on millions of farms. Agribusiness trades in a handful of commodities. Their new central role in much less regulated Indian markets is likely to result in destruction of diversity and displacement of small producers and traders.

Thus these new laws mean that the poor are losing access to their land, their water, and their biodiversity, which are being transformed into the "property" of transnational corporations. Resourceless people are poor people. Globalisation of the form relentlessly promoted by the UK Government and other rich countries, and the neo-liberal paradigm that shapes it, are a driving force behind laws such as these, making poverty inevitable rather than reducing it.

If this approach is being foisted on a huge country like India – which until recently had a history of attempting to protect the rural majority– what hope is there for the supposed major beneficiaries of the Make Poverty History approach– Africa?

### **RECLAIMING SOVEREIGNTY: INDIA'S POOR FIGHT BACK**

Over the past decade the Indian people have been fighting back against corporate led globalisation. The resistance of the poor is focussed on reclaiming their sovereignty to their resources and livelihoods.

In a tiny hamlet in Kerala, Plachimada, local tribal women and the village government shut down a Coca Cola plant which was mining 1.5 million litres of water per day. On 20<sup>th</sup> January 2005, following the example of Plachimada, people blockaded 87 plants of Coke and Pepsi and posted notices for them to Quit India and stop water theft.

In February, students of Jawaharlal Nehru University voted in their annual general body meeting to shut down a Nestle outlet and replace it with a café serving indigenous cuisine from the North East Tribal region of India.

A nation wide movement is being built against the patent ordinance. On 13<sup>th</sup> February farmers plan a nation wide non-cooperation with seed patents and will launch a Bija Satyagraha following Gandhi's example of the salt satyagraha – the non cooperation with the British salt laws in 1930. Farmers will declare their support for "Seed Sovereignty", which has at its heart their inalienable rights to save and

share seeds, and does not recognise patents on life and patents on seed. On 26<sup>th</sup> February mass movements and organisations will march to Parliament demanding changes in the patent ordinance on seeds and insisting that the right to affordable medicine is not undermined for citizens of India and poor countries in Africa and elsewhere.

On 1<sup>st</sup> and 2<sup>nd</sup> of March Indian farmers will present locally evolved agriculture policies as alternatives to the policies imposed by London, Washington, and Brussels. Food Sovereignty, Seed Sovereignty, Water Sovereignty are the guiding principles for the democratically defined alternatives to World Bank/IMF, WTO imposed privatisation of resources and destruction of peoples livelihoods. Farmers are adopting an agriculture free of corporate seeds and chemicals.

Communities are creating “freedom zones” to protect themselves from what is seen as corporate invasion in areas such as GM seeds, pesticides, unfair contracts, and monopolistic markets, which together are deepening poverty. Thus in India a new way to really Make Poverty History is being planned and acted upon from the local level, building up to national and, eventually it is hoped, international levels.

## **A NEW TRADE STRATEGY TO REALLY MAKE POVERTY HISTORY**

### *Leaving Free Traders A GAST*

The logical conclusion of this critique of the free trade approach of the UK Government to the call to Make Poverty History is to demand a fundamental rethink of the goal and

direction of international trade and the rules which govern it.

### *GATT- The Old Rules*

The General Agreement on Tariffs and Trade (GATT) was established in 1947 as a mechanism to negotiate the continuous lowering of tariffs between its members. It led to the creation of the much more powerful World Trade Organization in 1995. The WTO requires the laws of every member to conform to those of the WTO. It has the power to judge a country’s compliance with its rules, and — critically — to enforce the rules with sanctions.

### *GAST - The New Rules*

Replacing the GATT with the General Agreement on Sustainable Trade (GAST).

The aim of the General Agreement on Sustainable Trade (GAST) is not to ensure the unimpeded and ever increasing international trade in goods and services, but to promote a more sustainable and equitable economic system by strengthening democratic control of trade, stimulating industries and services that benefit local communities, and re-diversifying local and national economies.<sup>18</sup>

### *Food and agriculture*

The sector that affects everyone and is the greatest employer in developing countries.

Food needs to provide adequate nutrition, to be safe to consume, to be produced in a way that protects the environment and that provides secure livelihoods for the hundreds of millions who grow or process agricultural products worldwide. None of these are the overriding objectives of the WTO. Its raison d’être is to police global trade in such a way that markets become ever more open. In

the process, it is the livelihoods of the poor and the natural world that suffer.

### **WTO REFORMS FOR A DECENTRALIZED FOOD SYSTEM**

*WTO* – The present rules of the WTO, including its various agreements such as the Agreement on Agriculture (AoA), Trade-Related Intellectual Property Rights (TRIPs) and the General Agreement on Trade in Services (GATS), undermine the food security of all countries by threatening the fundamental right to food.

Re-negotiation should include reform of the AoA, TRIPs and GATS, in order to create a genuinely decentralized agenda for food security system.

*Agreement on Agriculture* – The negotiations must reject the clauses on Market Access, removal of Quantitative Restrictions on imports and exports and removal of both subsidies to farmers and food subsidies for consumers. Export subsidies must be prohibited.

*Trade Related Intellectual Property Rights* – Food security is not possible without farmers' right to safe seed, which doesn't cause genetic pollution and is not ecologically vulnerable. Monopoly IPRs (Intellectual Property Rights) on seeds, plants and other lifeforms threaten farmers right to safe seed and thus endanger food security.

*General Agreement on Trade in Services* – GATS covers food distribution and water by bringing both sectors under services. Thus it allows corporate takeover of essential commodities and vital resources. Food and water must not be brought under

GATS. Privatization of irrigation water in Orissa for example, has increased irrigation costs ten fold.

### **DEMOCRATIZING THE FOOD SYSTEM**

Democratizing the food system requires the promotion of localization rather than globalization.

Localization involves a shift from external long distance inputs to internal farm based or local inputs. It also involves rebuilding of local food security as the basis of national food security.

Democratizing the global food system also involves a shift from monocultures to diversity. It involves moving from an obsession with dollars per acre to a concern for nutrition per acre.

Democratizing the food system involves the democratic right of consumers to know what they are eating. This includes the right to labeling of genetically engineered foods and chemically processed foods.

Democratizing the food system involves putting people and nature, not trade, at the center of food and agricultural policy.

- <sup>1</sup> The United Nations Conference on Trade and Development's Least Developed Countries Report 2004, p9
- <sup>2</sup> EU (2003b): 3, World Textile and Clothing Exports, 1962–2000
- <sup>3</sup> This section is based on 2005 AND SUSTAINABLE DEVELOPMENT: WHY THE UK GOVERNMENT IS PART OF THE PROBLEM, War on Want, World Development Movement and Friends of the Earth Jan 2005
- <sup>4</sup> Tony Blair, speech to the Commission for Africa, Addis Ababa, 7 October 2004
- <sup>5</sup> This section is based on 2005 AND SUSTAINABLE DEVELOPMENT: WHY THE UK GOVERNMENT IS PART OF THE PROBLEM, War on Want, World Development Movement and Friends of the Earth Jan 2005
- <sup>6</sup> Gordon Brown, speech at National Gallery of Scotland, Edinburgh, 6 January 2005
- <sup>7</sup> Gordon Brown, speech at National Gallery of Scotland, Edinburgh, 6 January 2005
- <sup>8</sup> International Finance Facility proposal, HM Treasury, September 2004 cited in 2005 AND SUSTAINABLE DEVELOPMENT: WHY THE UK GOVERNMENT IS PART OF THE PROBLEM War on Want, World Development Movement and Friends of the Earth Jan 2005
- <sup>9</sup> 2005 AND SUSTAINABLE DEVELOPMENT: WHY THE UK GOVERNMENT IS PART OF THE PROBLEM, War on Want, World Development Movement and Friends of the Earth Jan 2005
- <sup>10</sup> Agriculture and poverty reduction: unlocking the potential, DfID policy paper, December 2003, p2
- <sup>11</sup> Overseas aid programme attacked in GM crops row John Vidal and Luke Harding, The Guardian July 7, 2001
- <sup>12</sup> Interview with P V Sathesh, Director of the Deccan Development Society in Andhra Pradesh, BBC Radio 4 Today Programme, Monday March 18, 2002
- <sup>13</sup> Personal communication with B Tulsidas, President Andhra Pradesh Farmers Union, 10th January 2005
- <sup>14</sup> B.K. Keayla, Patents Amendment Ordinance 2004: A Critique Paper presented at Colloquium on Patent Ordinance on 1.2.2005 organised by Research Foundation for Science, Technology and Ecology, National Working Group on Patent Laws, Transform India Group, New Delhi
- <sup>15</sup> Vandana Shiva, Protect or Plunder, Zed Books, 2002, Page 86–89
- <sup>16</sup> Revised Water Tariffs (Delhi Jal Board) Publications of Citizens Front for Water Democracy
- <sup>17</sup> Partnerships for poverty reduction: changing aid 'conditionality', DFID, Foreign Office and Treasury, September 2004, cited in 2005 AND SUSTAINABLE DEVELOPMENT: WHY THE UK GOVERNMENT IS PART OF THE PROBLEM, War on Want, World Development Movement and Friends of the Earth, Jan 2005, p1
- <sup>18</sup> For details of the actual changes in trade rules see Time to Replace Globalisation – a Green Localist Manifesto for World Trade, Caroline Lucas MEP and Colin Hines, p17–20  
[http://www.carolinelucasmep.org.uk/publications/pdfs\\_and\\_word/Global\\_2.pdf](http://www.carolinelucasmep.org.uk/publications/pdfs_and_word/Global_2.pdf)

