

TRADING COMMUNITY RIGHTS: The Implications of IFI-Sanctioned Trade Policies

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I. The bondage of trade

India's economy is composed of a diversified industrial base, a growing IT and software development sector, and a relatively large financial sector. Among India's major industrial produce include textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery and software. The country has been gradually transforming its economic base from agrarian to industrial and commercial. The agricultural sector accounts for 25% of GDP, the industrial sector 34%, and the services sector 51% (IFC, 2005). Services are the major source of economic growth, though two-thirds of the workforce is in agriculture.

Indian economic policy emphasized central planning, with the government closely regulating the private industry. In the late 1970s, the government began to reduce state control of the economy, but made very slow progress toward this goal. These reforms removed most of the government regulations on investment, including many on foreign investment, and eliminated the quota and tariff system that had kept trade at low levels (IFC, 2005).

Private investment has been the fuel for India's recent economic success; domestic savings and investment now run at about 22 percent of GDP. While foreign direct investment reached a record high of US\$3.6 billion in 1997, 20 times higher than it was before the reforms in 1991, inflows of direct and portfolio investment from abroad are miniscule as compared to those received by China (IFC, 2005).

International Financial Institutions (IFIs) like the ADB are pushing their member countries to embrace trade policies which are directed by the World Trade Organization (WTO). Countries which have gotten into the WTO bandwagon have been pursuing stronger measures to liberalize their domestic markets for agricultural products. Along with these measures, restrictions on foreign direct investments are also relaxed and made more agreeable to transnational corporations. Most of the time, laws and regulations, especially those on natural resources are drastically changed in order to make domestic trade and economic policies conform to the country's commitments to the WTO.

All of these contribute to an alarming trend towards the conversion of agricultural land to industrial uses and the promotion of large agri-business ventures that displaced small to medium-sized family farms, a situation which is prevalent in many countries in Asia. This not only undermines the production of traditional crops, it likewise compromises the long term food security of the national population and displaces communities from their lands.

II. Beyond borders

The ADB has initiated a study of free trade agreements in Asia and is expected to recommend the harmonization of these agreements with one another and with WTO

guidelines on global trade. Moreover, the ADB believes that regional cooperation opens up new opportunities for faster and more equitable economic development, and fosters regionally balanced economic growth in each participating country (ADB, 2005).

According to the ADB, there are many economic benefits of regional cooperation, such as increased business opportunities and better economic efficiency, increased trade and enhanced investment environment, and greater protection against external shocks. Therefore, its policy is to support regional cooperation by playing the role of a catalyst in regional cooperation. It has 3 functions (ADB, 2005):

1. Provider of information to the developing member countries (DMCs)
2. "Honest broker" among the DMCs, facilitating dialogue and participation
3. Supporter of the mobilization of public and private sector resources to finance regional cooperation activities

The ADB promotes and supports the following sub-regional programs (ADB, 2005):

- South Asia Subregional Economic Cooperation (SASEC)
- Greater Mekong Subregion (GMS)
- Central Asian Regional Economic Cooperation (CAREC)
- Indonesia, Malaysia, Thailand Growth Triangle (IMT-GT)
- Brunei, Indonesia, Malaysia, Philippines East ASEAN Growth Area (BIMP-EAGA)
- Regional Economic Integration (formerly REMU)

The poor communities in South Asia are concentrated in the eastern subregion, an area comprising Bangladesh, Bhutan, the eastern states of India, and Nepal. This subregion represents the greatest challenge in the fight against poverty. But according to the ADB, this challenge can be an opportunity because of the potentials of the region: large workforce, fertile ricefields, energy potential, natural resources and its ports (ADB, 2005).

Since the ADB believes countries can combine to bring economic development into reality, SASEC or South Asia Subregional Economic Cooperation program was conceptualized. This stems from the constitution of the South Asia Growth Quadrangle (SAGQ) by the Foreign Ministers of Bangladesh, Bhutan, India and Nepal (BBIN).

Meanwhile, the ADB is likewise involved in industry and trade projects in India. Currently, there are eight (8) loans on industry and trade, which amount to \$185.9 million (ADB, 2005). This comprises 1.3% of the whole financial pie given to India.

III. Binding our rights

International multilateral and bilateral trading conditions have taken primacy over international and national human rights law. In many countries in Asia, the efforts towards liberalization of different industries such as the energy and water sector, has resulted in the opening of areas traditionally occupied by rural communities. This results to disempowerment of these communities.

Trading conditions greatly impact on local and national policies and have generally proven that they do not work to benefit poor and developing countries. Moreover, anti poor steps of the ADB and other IFIs are supported and strengthened by provisions of the WTO. These provisions require member countries to provide the same facilities to foreign investors which are available to the domestic investors. In such a situation, subsidies given

to local institutions are forced to be withdrawn or the same amount of subsidy is given to TNC investors (Gupta, 2005).

Trade policies usually include removal of protective tariffs which directly endangers local industry; the removal of rules controlling foreign investment, which ushers in the foreign domination of local industry; the conversion of self-sufficient, small-scale diverse agriculture to corporate export-oriented monocultures, which severely threatens the food security of local populations; the elimination of price controls; the drastic reduction in social and health services; the aggressive privatization of government agencies which renders social services inaccessible to the poor; the ending of popular 'import substitution' programs that encouraged local people toward diverse local production and self-sufficiency (Kwa, 1996).

According to the ADB, regional cooperation such as the SASEC, is effective in reducing non-physical barriers to trade and investment, with countries working together to streamline policies, procedures, and regulations. The ADB likewise pushes for a higher degree of trade to attract more investors. Countries should be wary of the implications of this effort since streamlining policies to accommodate and attract foreign investors would be detrimental not only to the local industries, but to the communities who will be affected by the projects.

The SASEC aims to invest in the region's large workforce that is receiving relatively low wages. Instead of alleviating the working conditions of the workforce, using this as a competitive advantage would result to companies providing benefits and remuneration packages which are not at par with other regions.

The program likewise endeavors to tap the region's energy potential through hydropower, oil and gas projects, and to tap the region's rich mineral deposits and forest resources. It must not be forgotten that indigenous peoples and upland rural poor communities will be displaced from their traditional lands just to accommodate big infrastructure projects such as dams, and extractive activities such as mining and forestry projects.

IV. Community rights over profit

Struggle in the affected communities intensify as commercial and state interests take primacy over the right to land and life. Most of these communities are poor, and therefore do not have power and resources to challenge and change trade policies that are detrimental to their rights and to their existence.

The challenge is for governments to look into other policies which will have the least negative impact to communities. Instead of attracting foreign investments in heavy infrastructure projects and extractive industries such as mining, the improvement of the agriculture sector might be more apt for India, since it has abundant agricultural produce such as rice, wheat, oilseed, cotton, jute, tea, sugarcane, and potatoes.

The governments are urged not to trample upon the rights of communities to implement trading policies set by private institutions and interests such as the WTO and the ADB. Human rights should take primacy over profits.

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