

**UNIVERSITY OF SOUTHAMPTON**

**FACULTY OF LAW, ARTS AND SOCIAL SCIENCES**

**School of Social Sciences**

To what extent can we explain the liberalisation of  
agriculture as a pathway to development in the Indian  
state of Andhra Pradesh?

by

Mary Morrison

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ABSTRACT

FACULTY OF LAW ARTS AND SOCIAL SCIENCES  
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TO WHAT EXTENT CAN WE EXPLAIN THE LIBERALISATION OF AGRICULTURE  
AS A PATHWAY TO DEVELOPMENT IN THE INDIAN STATE OF ANDHRA  
PRADESH?

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This thesis is an exploration of international development, situating the case study of agricultural liberalisation in the Indian state of Andhra Pradesh within a broad historical and international context. An important assumption in the work is that persistent poverty, particularly when manifest as chronic hunger, is unacceptable. This gives the work a clear normative focus, seeking to question the orthodoxy in order to assess the current policy trajectory and identify alternatives.

The thesis begins by defining and positioning the issue, and explaining its relevance to the discipline of international relations. It then establishes a framework for a critical analysis of development discourse, its elements, components, resultant policies and critiques. It will be argued that since the 1980s, economic liberalisation has become synonymous with what will be called orthodox development, and that earlier statements and policies laid much of the ground for this. Furthermore, the more recent concept of sustainable development shows little substantial change from the orthodox pathway. The World Bank and the UK have been integrally involved in aid and development policy globally and in India and Andhra Pradesh, and their roles are examined. The study then analyses the central elements and arguments of the discourse of agricultural liberalisation. After exploring the general features of the discourse, it will be explored with reference to the case study. This shows distinct parallels with the discourse of overall development, as agricultural liberalisation is presented as a universal solution to hunger and poverty, dependent on liberalisation and technology. The thesis then goes on to suggest an alternative strategy, central to which is a requirement for locally suitable solutions which depart from the universal, and which can offer real consistency with sustainable development.

The case study relies extensively on primary sources, such as official reports and statements, which were augmented by interview material collected by the author. Andhra Pradesh is an interesting case, particularly in the light of the political change following the general election of May 2004. The local issues surrounding the controversial liberalisation policies, pursued in the name of development, are worthy of more study by the academic community. The application of discourse analysis enables a focus on the role of ideas and language in the social world. As an application of a relatively new methodology to a subject of social and political importance, the thesis is a valuable contribution to international relations study. This is particularly so given that the problems of the South receive all too little attention in mainstream Anglo-American international relations literature.

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To list all those who deserve personal thanks would demand a second thesis, so I will stop here.

## Acronyms

|       |   |
|-------|---|
| AoA   | Agreement on Agriculture                                  |
| ADB   | Asian Development Bank                                    |
| AP    | Andhra Pradesh  |
| ATP   | Aid and Trade Provision                                   |
| BCSD  | Business Council on Sustainable Development               |
| BJP   | Bharatiya Janata Party                                    |
| CAP   | Common Agricultural Policy                                |
| CBI   | Confederation of British Industry                         |
| CDF   | Comprehensive Development Framework                       |
| CGIAR | Consultative Group on International Agricultural Research |
| CPRC  | Chronic Poverty Research Centre                           |
| CROPS | Centre for Rural Operation Programmes Society             |
| CSA   | Centre for Sustainable Agriculture (Hyderabad)            |
| DAC   | Development Assistance Committee (of the OECD)            |
| Defra | Department for Environment, Farming and Rural Affairs     |
| DFID  | Department for International Development                  |
| DTI   | Department of Trade and Industry                          |
| EC    | European Commission                                       |
| EIA   | environmental impact assessment                           |
| EU    | European Union  |
| FAO   | Food and Agriculture Organisation                         |
| FCO   | Foreign and Commonwealth Office                           |
| FDI   | foreign direct investment                                 |

|       |   |
|-------|---|
| G8    | Group of Eight  |
| GATT  | General Agreement on Tariffs and Trade                |
| GDP   | gross domestic product                                |
| GDSP  | gross domestic state product                          |
| GM    | genetically manipulated                               |
| GNI   | gross national income                                 |
| GNP   | gross national product                                |
| GoAP  | Government of Andhra Pradesh                          |
| Goi   | Government of India                                   |
| HDI   | human development index                               |
| HEI   | high external input                                   |
| IBRD  | International Bank for Reconstruction and Development |
| IDA   | International Development Association                 |
| IDB   | International Development Bank                        |
| IEA   | Institute for Economic Affairs                        |
| IFI   | international financial institution                   |
| IFPRI | Institute for Food Policy Research and Information    |
| ILO   | International Labour Organisation                     |
| IMF   | International Monetary Fund                           |
| INGO  | International non governmental organisation           |
| IS    | Implementation Secretariat                            |
| ITO   | International Trade Organisation                      |
| JNU   | Jawaharlal Nehru University                           |
| LEI   | low external input                                    |
| MDG   | Millennium Development Goal                           |
| MP    | Member of Parliament                                  |



|        |  |
|--------|--|
| MARI   | Modern Architects for Rural India                                |
| NDA    | National Democratic Alliance                                     |
| NFU    | National Farmers' Union  |
| NGO    | non-governmental organisation                                    |
| ODA    | Overseas Development Assistance (or Overseas Development Agency) |
| ODI    | Overseas Development Institute                                   |
| ODM    | Overseas Development Ministry                                    |
| OECD   | Organisation for Economic Cooperation and Development            |
| OEEC   | Organisation for European Economic Cooperation                   |
| PAN    | Pesticides Action Network  |
| PEACE  | People's Action for Creative Education                           |
| PPP    | purchasing power parity  |
| PRGF   | Poverty Relief and Growth Facility                               |
| PRSP   | Poverty Reduction Strategy Paper                                 |
| SAL    | structural adjustment loan                                       |
| SAP    | structural adjustment programme                                  |
| SAPRIN | Structural Adjustment Participatory Review Initiative Network    |
| SFFA   | Small and Family Farmers' Alliance                               |
| TDP    | Telegu Desam Party   |
| TNC    | transnational corporation  |
| TRIPs  | trade related aspects of intellectual property rights            |
| WDR    | World Development Report (of the World Bank)                     |
| WFP    | World Food Programme   |
| WTO    | World Trade Organisation   |

|        |  |
|--------|--|
| UN     | United Nations   |
| UNCED  | United Nations Commission on Environment and Development |
| UNCTAD | United Nations Conference on Trade and Development       |
| UNDP   | United Nations Development Programme                     |
| UNEP   | United Nations Environment Programme                     |
| UNICEF | United Nations Children's Fund                           |
| UPA    | United Progressive Alliance                              |
| USAID  | US Agency for International Development                  |
| USDA   | US Department of Agriculture                             |
| USTR   | United States Trade Representative                       |

## Introduction

Based on the conviction that continuing poverty and hunger are unacceptable, this thesis reflects the author's longstanding interest in the social and environmental costs of the orthodox development approach. The study of botany and geography as an undergraduate in the early 1980s highlighted concerns about global agriculture, as serious critiques of the green revolution were emerging. Later, work with an international environmental organisation and then the international trade union movement, offered further opportunity to analyse and assess linkages between the environment and social deprivation. More recently, post-graduate study in international relations allowed academic insight into policies of the international financial institutions (IFIs) and their impact on the South.

The apparent lack of attention paid to the problems of global poverty and hunger in Anglo-American international relations research made a study of the links between liberalisation and development more pertinent. Most worryingly, the relative silence seemed to endorse the problem-solving ability of liberalisation policies, despite articulate critique and policy failure.

An example of such criticism was brought to the attention of the author by ex-colleagues within the development and environment movement. In 2001 some had been involved in a citizen's jury, organised to discuss the impact of the economic reform programme in the rural communities in the South East Indian state of Andhra Pradesh (AP). Liberalisation policies were being pursued to an extreme and were apparently having serious side effects on agriculture and the rural population. There was concern amongst local civil society groups and farmers, and an increasing number of non-governmental organisations (NGOs) working internationally. Approximately 70% of the state labour force is involved in agriculture and around 80% of the total is made up by small and marginal farmers or landless labourers, who live on almost 35% of the total 10 million hectares of cultivated land (Pimbert and Wakeford 2002: 8). Many of those are from traditionally disadvantaged groups, such as the Dalit (or Scheduled Castes, previously referred to as untouchables) and Scheduled Tribes (Hardgrave and Kochanek 1986: 9). Women in AP, as is the case throughout India, are also involved extensively in farm work but suffer disproportionately from hunger and poverty.

Andhra Pradesh is the fifth largest state in India with a population of over 75 million. Since the mid-1990s it has been following a programme of intense liberalisation, closely associated with its Chief Minister for most of that time, Chandrababu Naidu. This was

epitomised in Naidu's state policy paper *Vision 2020*, which first appeared in 1997 and which identified economic growth generated by engagement in the global market as the pathway to poverty and hunger eradication. McKinsey, the international business consultancy, was commissioned by Naidu to produce a report to form the basis for *Vision 2020*, and this urged liberalisation to entice private foreign investment and achieve a proposed growth rate of 10% per annum. *Vision 2020* assumed that the industrialisation and modernisation of the enormous agricultural sector would increase agricultural output and export. This, along with the development of other sectors, would contribute to state income to such an extent that poverty would be eradicated by the year 2020. However, the Government of AP forecast that the reorganisation of agriculture would require a massive reduction in employment. Up to 20 million people would be expected to leave the land, and they would effectively be dispossessed of their livelihoods. *Vision 2020* had no proposals for alternative sources of income for these largely unskilled people (Vidal and Harding, 2001). Despite that, the reputation of Naidu as a reformist leader won him the financial support of the World Bank and the UK Department for International Development (DFID). Thus, supported financially and politically by two major donors, the state government pursued 'development' policies which appeared to be working against the interests of the poorest and most vulnerable groups.

Within India, the regional controversy surrounding the implementation of these policies appeared to parallel the process at other levels in the global development debate. Protests in Andhra Pradesh were based on the lack of beneficial effects on the poor, while increasing the role of corporations in agriculture. Similar concerns were raised by the protesters outside the WTO meeting in Seattle in 1999, who criticised international development policies for their failure. Additionally, a reading of the key documentation suggested strong parallels in the ideas which were driving the policies, and in the language used to justify them. AP state policy therefore appeared to be internationally driven, rather than to be explicable by local micro politics or local needs.

Devinder Sharma, Delhi-based food policy analyst, commented that the paradigm of liberalisation as development is one "advocated throughout the world by the World Bank and other donors, and AP is a classic example" (Sharma 2005). The World Bank is the largest donor to India and the state of AP, and the UK (via the DFID) donates the largest portion of its bilateral aid (by far) to India. Both donors are committed to the liberalisation of agriculture as a means to allow economic growth in the South, and additionally promote this as a strategy to guarantee food security. However, despite strenuous efforts to liberalise, growth rates have not met the targets of *Vision 2020* and most importantly many of the state's inhabitants, particularly those in rural communities, suffer persistent,

intense poverty, in part manifest in chronic hunger and malnutrition. Additionally, the new state government, elected in May 2004, has inherited a farming crisis with an estimated 4500 farmers having committed suicide since 1996 (Tulasidas 2005). The reasons for the crisis are disputed, but much of the blame is apportioned to the liberalisation policies which have removed protection or advantage for small farmers, including in the area of credit. The removal of supports for farmers has coincided with an encouragement of corporate-style export-oriented agriculture with a heavy stress on land consolidation and commodity production via contract farming. Given the apparent failure, to date, of the intense liberalisation programme which has been in place for almost a decade, there seems to be reason to examine the faith in liberalisation as a development strategy. Thus, the intention of this thesis is to try to understand the liberalisation of agriculture as a pathway to development in Andhra Pradesh.

A discourse approach to the question was chosen for three reasons. A discourse approach firstly offers a focus on the expression of ideas and policy through language used to articulate them. Whilst researchers have, of course, produced policy critiques without discourse analysis, the approach offers useful perspectives, regarding the extent to which ideas matter in politics, and how those ideas are promoted or maintained. That is, the extent to which ideas affect the way that we interpret and define the world and its problems via language, which is effectively how ideas contribute to the construction of the social world. Secondly, critical discourse analysis presumes that the purpose of such research is to critically assess social relationships with a view to proposing other policies or strategies which might be more suitable and effective. This entails considering evidence for the success of policy or policy discourse in order to understand its context and history. Finally, Schmidt's (2002) work on discourse offers a clear framework to approach discourse analysis, which systematically allows themes and patterns to be compared at international, national and local levels. This is particularly important when tackling a topic such as this one, with an enormous literature base.

The thesis will begin by establishing the framework for analysis, which is the task of chapter one. The chapter gives a broad overview of discourse theory and approaches to discourse analysis, and forms a basis for the examination of ideas about development, and the expression of those ideas through specific language, in policy evolution and in the justification of that policy. This requires an examination of the ideas behind development policy in general, the primary actors and the arguments surrounding it, and its historical context. The framework guides an analysis of the constituent elements of the discourse, such as poverty, liberalisation and growth. It then points to a consideration of the actors who create or reproduce the discourse, such as the World Bank, the UK

government (both closely associated with development policy in India) and the World Trade Organisation (WTO), the key international influence on the governance of global agricultural trade, in particular via the Agreement on Agriculture (AoA). To an extent this can allow an analysis of the extent to which policy reflects interests and norms. The latter part of the thesis will focus more closely on India and Andhra Pradesh, and the application of current development policy to the state within its national context.

An assumption made within this critical discourse analysis approach is that it is essential to consider the arguments and criticisms of policy in order to have a full understanding of the discourse and the positions taken. Thus, the thesis will also consider some of the main arguments put forward against the liberalisation of agricultural trade and its connected components. The official positions and policies, and criticisms of them are largely available in documentary form. The thesis has used official sources, available in hard copy or on the web, other primary sources and some secondary sources.

Additionally, primary research was carried out, largely in Andhra Pradesh in January 2005 (see Appendix One for a full list of interviewees). The prime aim of this was to seek more context to recent events (including the May 2004 election) and in particular to seek the opinion of farmers, their trade unions and other representatives. It was felt that this would offer a unique perspective which was not available through existing literature.

The ultimate aim of the thesis is to explain, if possible, liberalisation as the guiding paradigm for development of agriculture, specifically in Andhra Pradesh, and to suggest alternative strategies if appropriate.

## **Chapter one: To what extent can we explain the liberalisation of agriculture as a pathway to development in Andhra Pradesh?**

The first section of this chapter will define the question of study and explain its importance within the context of the stated aims of international development. It will also clarify some of the terminology used throughout the work, in order to avoid confusion. Having done that, it will explain the aims of the thesis in approaching this question, and finally the contribution of the work to international relations and related disciplines. The second section of the chapter will explain the analytical approach employed, which is a form of discourse analysis. This will examine how international development is described (that is the discourse of international development) and how this relates to the liberalisation of agriculture in Andhra Pradesh. Finally, there will be an explanation of the structure of the thesis.

### **1. The question of study**

The answer to the question 'to what extent can we explain the liberalisation of agriculture as a pathway to development in Andhra Pradesh?' is crucial. Liberalisation has been adopted globally as the most appropriate route to development and this can be seen in the approach and policies of global actors such as the World Bank, national governments all over the world, such as India and the UK, and sub-national administrative units such as the state of Andhra Pradesh in India. The world's poorest groups are expected to gain from liberalisation, since millions will be "lifted out of poverty" as a result (World Bank 2002c: xx). Thus, in the broadest sense, the economic and social well-being of humanity at the beginning of the twenty-first century depends on the efficacy of liberalisation as the pathway to development.

If the adoption of the pathway is based upon strong evidence, then the policy could be argued to have credibility. If the evidence is limited or doubtful, then there are grounds to consider an alternative rationale as to why liberalisation has gained this dominant position. It could be that the policy is a reflection of interests, represented by ideas as to how global problems should be defined and therefore solved. By examining the history of policy generation, the actors involved, their relationships and the way in which they represent and describe policy it may be possible to understand those ideas, and the interests which they reflect.

The view of poverty as the problem, to which liberalisation is the solution, is one held by influential international institutions. For instance, according to the World Bank and IMF

(2000: 1) “poverty in the midst of plenty is one of the central challenges in today’s global economy”. Describing itself as the world’s “largest development organisation”, the World Bank (2005c) also claims to have “sharpened its focus on poverty reduction as the overarching goal of all its work” {World Bank 2002 2 /id}, while former managing director of the IMF Horst Kohler (2002a) described poverty as “the foremost challenge facing the international community”. In a joint statement the two institutions reiterated that “[t]he main goal of development is to eliminate poverty and reduce social imbalances” (World Bank/IMF 2000: 1). Bank Vice President Nicolas Stern noted the central role of market and economic reforms in poverty reduction, saying that they were “crucial” (World Bank 2000a). Mike Moore as Director General of the WTO agreed, maintaining that “although trade alone may not be enough to eradicate poverty, it is essential if poor people are to have any hope of a brighter future “ (WTO 2000), adding in a later statement that “freer trade boosts economic growth and supports development” (WTO 2002). Reinforcing this position, the Bank and IMF urged all participants in the Doha Round of the WTO negotiations

to remember that trade reform is not a zero-sum game. It is a step toward enhanced opportunity and productivity that benefits all, and that can make a durable contribution to poverty reduction around the world (IMF/Bank 2005).

Thus, returning to the initial question which is to consider the reasons why liberalisation is the chosen pathway to development, one answer would seem to be that liberalisation offers the best or only way to poverty reduction, and hence is virtually synonymous with development. However, the actual effects of the policies of liberalisation on the most vulnerable sections of society are questionable. Critical voices, from a wide community, some even within the international financial institutions (IFIs), have challenged the notion that liberalisation as development in its current construction can actually address the needs of the most vulnerable groups, and whether their needs are correctly assessed and identified. Criticism has flowed from a wide variety of groups, activists and academics (see Sharma 1999, SAPRIN 2004, Wade 2001, Weller and Hersh 2002a, Weisbrot et al 2004), and it has not been restricted to progressive NGOs or political or intellectual opponents. For instance, Robert Stiglitz (2002), former chief economist of the World Bank, has expressed the opinion that liberalisation as promoted by the IMF does not achieve developmental goals and that “rather than enhanced growth, the effect is increased poverty”. These criticisms were supported by the Asian Crisis which shook confidence in economic liberalisation policies (Broad and Cavanagh 2000: 88-9). Additionally, poverty is a persistent global problem which has worsened in some countries in recent decades, despite the continued application of development policies. If policies are not achieving their stated aims, then it may be argued that the strategy of



mainstream development owes more to the dominance of particular ideas about poverty, its definition and how it can or should be addressed, than to a body of evidence which proves the success of those policies.

The definition of global poverty as a problem for international attention, and the response to it in terms of a global effort to promote development, can be situated within a relatively short historical timescale. As Escobar (1995: 30) wrote, "it is possible to speak of the invention of development in the early post-World War II period". Escobar (ibid: 31-53) goes on to argue that the way in which development was defined and described gave rise to a particular approach. Poverty became the "organising concept" (Escobar ibid: 24) with income the measure, which in turn was assessed on an aggregate scale. The increase of aggregate wealth via economic growth became both the "objective and yardstick" (Thorbecke 2000: 20) of development. In later years, the presumption was that economic growth was a result of economic liberalisation, meaning that over time, liberalisation has become synonymous with development.

The international community has reiterated its commitment to reducing poverty and the linked problem of hunger. It may be argued that poverty is an inappropriate measure of development, since this neglects non-monetary transactions within communities and is therefore an oversimplification and can lead to misjudgements. However, poverty reduction is a stated aim of the international community's policies, so they will be assessed here against its own targets. On the other hand, calorie deficiency or hunger is a less ambiguous measure (although cultural and local preferences are also relevant). The Millennium Development Goal (MDG) related to poverty aims both to reduce the proportion of people in extreme poverty by half by 2015, and to reduce by half the proportion of those below the minimum level of dietary energy consumption (UN Statistical Division 2004).

Increasingly, just as liberalisation of the global economy is promoted as the answer to poverty, liberalisation of agriculture is presumed to be the solution to global hunger. The criticism of liberalisation as development and its effects on poverty has been mentioned, and will be explored in more detail in chapter three and the following chapters. The liberalisation of agriculture raises more issues, given the size of the sector in the South and the number of people involved in producing their own food. The DFID (2002a: 6) state that of the 1.2 billion extremely poor, three quarters live in rural areas, and many of these will be directly involved in agriculture. Nonetheless, it is argued that liberalisation of the global agricultural market will ensure food availability for all. This may be because cheap exports, for instance from the US, could be available on the world market (US

Agriculture Secretary, John Block, 1986, speaking at the start of the Uruguay Round, cited in Bundell 2002: 8). Also, it could be because increased foreign earnings from agricultural exports are expected to increase incomes and therefore facilitate food purchase. This would help address the food problem as “a poverty problem” (World Bank 2002g: 12). However, a strategy which encourages export of foodstuffs from a region or country heavily dependent on local food production, and where a high proportion of people are known to have a calorie intake lower than required, raises the question of how the most vulnerable communities will access food.

Turning our attention to the state of Andhra Pradesh (AP), this is considered to represent a global problem at the sub-national level. According to food policy analyst, Devinder Sharma (2005), the paradigm of liberalisation as development is one “advocated throughout the world by the World Bank and other donors, and AP is a classic example”. The population of the state of Andhra Pradesh, as calculated in the last census in 2001 was over 75 million (GoAP 2002b) and around 70% of the population are estimated to work in agriculture (Pimbert and Wakeford 2002: 1). Of the 22 states and 9 union territories in India, Andhra Pradesh ranks tenth in a survey of human development by the federal Indian Government (Planning Commission of India 2002b: 25). This would seem to be relatively high, however, according to a survey of nutrition and diet published by the World Bank (2004b: 12, 109) a “very high proportion” (over 65%) of the population in AP suffers calorie deficiency. This would imply that about 48 million people suffer serious and chronic food shortage. Data on income poverty is, according to the DFID (2001) “contentious” and varies with methods used, but even an estimate of 21.6% (World Bank 2005) converts to a figure of approximately 15 million living in extreme poverty. Thus, the numbers of people in Andhra Pradesh alone who suffer income poverty or calorie deficiency are huge.

*Vision 2020* was a major policy document which outlined development proposals for Andhra Pradesh. It promoted liberalisation as the solution to both poverty and hunger, promising that liberalising the agricultural sector (and others) would bring prosperity. Specifically it would mean that by 2020 AP would have

achieved a level of development ... [to] provide its people tremendous opportunities to achieve prosperity and well-being and enjoy a high quality of life (GoAP 2000b: 1).

It was noted that commercialisation of agriculture, would necessarily reduce those involved in agriculture “from the current 70 per cent to 40-45 per cent” of the rural population (GoAP 2000b: 168).

Nevertheless, there remains the question as to the evidence that this could succeed in achieving a reduction in the level of either hunger or poverty in the state. This study will consider the policy, its implications and how it has been perceived by farmers and their representative groups in AP. The presumption here is that, as argued by Escobar (1995: 24-47) the way in which development 'problems' are defined may specify and limit the range and nature of responses, and thereby force universal solutions onto specific communities. Within the parameters of current orthodox development (for a clarification of this term, see next section), with monetary poverty measured crudely by GNP, economic growth via economic liberalisation is the only possible policy response, and any alternative dismissed as idealistic or anachronistic. However, if the needs of the most vulnerable groups are not being met, this demands change that ensures that their needs are addressed. Any alternative should be both problem solving (in this case identifying and addressing the needs of the vulnerable groups) and appropriate to those groups, their environment and their situation.

## **Terminology**

This thesis intends to consider in some detail the language of development, but at the outset it is useful to review some terms which will be widely used and define their meaning in this particular text.

Firstly, who are the targets of development policy? Before the fall of the Soviet Union, the focus of development efforts was the 'Third World', largely the post-colonial countries with low per capita income. Even after the demise of the Soviet bloc, use of the term 'Third World' persists, but is increasingly replaced with the South, or global South. What all of these terms share is a recognition that the states within this grouping experience common problems of lack of voice or say in global affairs, a vulnerability to external forces beyond their control and the poverty and economic and physical insecurity which characterises citizens' lives (Thomas and Wilkin 2004: 243).

As global economic integration has increased, changes have occurred within as well as between countries. Many of the new states, which were formerly part of the USSR, still have more in common with the 'Third World' than with Western economies. Additionally the problems of economic, social and physical insecurity are not necessarily limited to one group of countries, but are found increasingly in all countries (Thomas 1999: 225). However, recognising these issues, this study will use the terms 'Third World' and 'South' interchangeably to refer to those countries where most vulnerable groups and communities live. It is, after all, these groups and communities, who should be the prime targets of international development policy.

Secondly, international development itself is a complex concept. In chapter two, the components of what will be termed orthodox development will be examined. Orthodox development in this case refers to the approaches and policies generally accepted and promoted by the mainstream development community, as led by the World Bank. These have changed in nature over the last fifty years, with a shift from state to market as the motor of development, although central elements such as economic growth have been consistent over time. The term orthodox development will be used throughout the text as shorthand to refer to the policies or approaches favoured and promoted by the mainstream development community, and should be understood in these terms.

Thirdly, liberalisation here refers to economic liberalisation, primarily the opening of markets to global competition and the increasing orientation of production to the global market. This global market is presumed to require the removal of factors which give unfair advantage to some, and will bring gains to all. This of course implies a reduction in the role of government as protector or supporter of sectors, as illustrated by the Doha Round discussions.

### **1.1. Aims of the thesis**

The aim of this thesis is to understand the generation of an aggressively market-oriented agricultural policy for the Indian state of Andhra Pradesh, as represented in *Vision 2020*. In doing so, it firstly offers an explanation as to why policies of liberalisation are strenuously pursued and presented as consistent with international development goals, in spite of a dearth of supportive evidence. Secondly, and based on the previous analysis, it considers the alternative approaches seen in AP and how they might contribute to an alternative approach to orthodox development.

The World Bank and DFID claim that the policies such as those represented by *Vision 2020* were generated within India and AP, in keeping with national and state development policies. The Bank states that a “fundamental shift has taken place” in recent years regarding its modus operandi and that programmes and projects are now designed by developing countries themselves—comprehensive, home-grown plans structured in a way that enables both donors and recipients of aid to achieve better results on the ground (World Bank 2005c).

These plans are represented nationally in the five-year plans, and DFID (no date: 1) clearly states this to be the driver of its own policy, saying that its “aim is to assist India’s efforts to achieve the 10th Plan’s poverty-reduction objectives”. However, the policies are very much consistent with orthodox development at a variety of levels. Thus, the

presumption is that there is a close relationship between orthodox development policies, those applying to agriculture globally and those being championed within AP.

In order to establish the nature of that relationship, it is necessary to consider important aspects of policy generation. For instance, the history of the orthodox development approach; the criticisms of that approach and the trends and events which have questioned its appropriateness or problem-solving ability and the role of key actors with influence over the decision-making processes in India and AP. The consideration of aspects of policy generation will help place the development approach in AP in its historical and international political context and allow a comparison of how policy is formulated and presented at different levels.

An analysis of the discourse of international development will form a major part of this study, since it allows a focus on the role of ideas, their expression in language, and their influence over policy construction. It should enable an examination of how a policy is presented (that is the nature of the constituent elements, their definition and their use in policy promotion or justification) and can illustrate how a discourse may favour certain policy responses, but prevent or discourage others. Additionally, the approach taken here examines how the policy is presented as both fit for the purpose (that is being the right approach to a problem) and is fit for a particular situation (that is appropriate to a particular time or place). An important effect of development discourse is to depoliticise the process. Some conclude that the approach of the orthodox community has been to consider development policy as taking place within a politics-free space. This means, for instance, that Bank policies are not politically driven, but arrived at through necessity, based not on interests but on universal economic truths (Storey 2004). Similarly, policies are presumed to be applied in a political vacuum. James Ferguson (1990: 225) commented on the case of Lesotho, where the government was considered a technical body which delivered development. If development did not occur this was the result of technical shortcomings, of inefficiency or lack of education, rather than an indication of interests. The government of Lesotho (in this case) was thus not a grouping with political interests, which might use aid mechanisms to further those interests, but an apolitical developmental agency.

As stated earlier, the World Bank has made its central focus poverty reduction, and the Government of Andhra Pradesh set itself the more ambitious goal of poverty eradication by the year 2020 (GoAP 2000b: 4). The measurement, comparison and definition of poverty is itself problematic (for detail see chapter three), although even by World Bank standards, global progress on poverty has been disappointing, and many would argue

inadequate. Hunger is also demonstrated to be a persistent problem. Additionally, given the AP focus on agriculture (one not uncommon elsewhere in the South), and given the number of people directly dependent on the land in AP, the issue of agricultural liberalisation and its impact on food accessibility is urgent. Thus, the ultimate aim is to consider the possibility that there may be other approaches proposed or practised by the target groups of development policy, which offer an alternative to the liberalisation-led orthodoxy, and which cater as a priority for the needs of the most vulnerable communities. Some communities in AP already promote sustainable agriculture, which may be interpreted in a variety of ways, but which can offer a locally-focussed, low-input model. Thus, it should be possible to consider the impact of the liberalisation-led development model of agriculture as compared with that of a locally defined, sustainable alternative.

## **1.2. Contribution of study**

Historically, the International Relations academic community has not tackled the problem of development and has not considered problems at the local level, but retained a focus on state-state relations. Mainstream debate since the 1980s has been predominantly concerned with the dialogue between the two major groupings within the discipline, the neo-realists and neo-liberals. It is these two broad theories, neo-realism (primarily concerned with state-state relations) and neo-liberalism (which puts this in a broader context of other international actors and institutions), which are used to make sense of the existing world order. The intention of the proponents of these theories is to study relationships scientifically, and test hypotheses empirically (Thomas and Wilkin 2004: 248). Importantly, if it is possible to 'scientifically' demonstrate the 'success' of a policy then the wider or continued application of that policy is not a matter of political interest or choice, but simply common sense.

However, a major limitation is that both neo-realism and neo-liberalism are "system maintainer theories" (Lamy 2005: 207) which do not offer fundamental challenges to the existing power structures or policy-making mechanisms. The debate between them excludes certain questions, for instance that of why inequality exists in the international system. Thus the predominant theories of IR are said to operate as far more than theories, being rather "conceptual frameworks which define a field of study, limit our conception of reality, and define an agenda for research and policy-making" (Lamy *ibid*: 207). Some IR authors have addressed directly the issue of development, generally within the subfield of International Political Economy, and in the last decade it has become a legitimate topic of study in mainstream IR, although issues of traditional security, trade and economics predominate. However, as the profile has been raised, (for

instance via the agreement of the MDGs) it has become clear that a purely inter-state analysis is inadequate, since there are increasing connections between actors at different levels.

A past intellectual and political challenge to the mainstream theories was represented by dependency theory, which emerged during the 1960s and 1970s, and which attempted to explain the persistent or deepening inequality that characterised North-South relations. However, the effect on mainstream IR was limited, since dependency theory was criticised for avoiding systemic theorising of the world system, overlooking the potential for economic development in the South and being ideologically rather than scientifically driven (Thomas and Wilkin 2004: 248). Dependency theory had limited effect, but there remain critical voices within IR. For instance those who, from a Marxist perspective, focus on and critique the role of capitalism in shaping and maintaining the global order, or the post-colonial theorists whose focus is the experience of colonialism and its effect on global relations (Thomas and Wilkin 2004: 249-51). These approaches share a critical stance, rejecting the simplicity of mainstream IR theorists, seeking to understand inequalities or problems, and promote appropriate solutions to them.

This study intends to adopt a critical and human-centred approach, attempting to link policies generated at the highest levels, to the communities at the bottom of the policy-making process. It will thus seek to understand the generation of development policy, and its effects on real communities and individuals, with a view to identifying alternative pathways. It therefore positions itself within the critical wing of IR, and advocates a shift in the discipline to give due importance to human-centred problems and to challenge the orthodoxy. This may be of particular interest to those academics concerned with the emerging concept of human security.

Since the thesis offers insight into the global politics of development, it will be of significance to scholars working in the discipline of international relations and of interest to those working in the fields of development or area studies. Specifically, it examines global-local linkages: the extent to which policy on the ground in Andhra Pradesh is influenced by global level actors such as the World Bank and major aid donors such as the UK, and the validity of claims made for orthodox development policy. It will therefore consider the relationships between all relevant stakeholders, that is between states, international organisations (both governmental and NGO) and sub-national units and communities within it.

The particular sub-national unit of significance here is the Indian state of Andhra Pradesh and the fate of the majority of its inhabitants. The UK and World Bank have had close

contact with governments at both national and sub-national levels in India with regard to development policy. The India programme is the UK's largest for any single country, meaning that as far as UK international development funding is concerned, its relationship with India is highly significant. The World Bank is the largest funder of development projects in India and in recent years, both the Bank and the UK have fostered direct relationships with the state of AP, ostensibly to improve the impact of their projects and programmes, which are relatively small in comparison to the GDP of either India or of AP. Also relevant are actors such as the EU and US, due to their size, and political and economic significance within international institutions such as the WTO.

In recent International Relations studies the approach to issues affecting the countries of the global South are predominantly concerned with security, governance or economics, rather than issues of individual human need (Thomas and Wilkin 2004: 245). The implication, according to Thomas and Wilkin (2004), is that most of these studies of problems of the South are from the viewpoint of the North rather than reflecting the interests and needs of the target groups. The intention here is to address the central question bearing in mind the interests and needs of those target groups. In doing so, this may show how an alternative approach might be more appropriate both in terms of problem-solving and sensitivity to the needs of the vulnerable groups in AP, who if calculated by low calorie intake, account for 65% of the population. Thus, the thesis will explore a 'live', as opposed to a theoretical, example of the implications of liberalisation as development. To put it another way, it will consider the impact of global policies on individuals and communities in the South, and their responses. This is perhaps crossing into the 'grey area' between IR and development studies, considering as it does the impact of global policies on individuals. The example chosen illustrates in stark relief the clash of ideas about development – in particular how communities are responding to international policies and generating new ideas about the way forward. In doing so, it juxtaposes the mainstream, top-down, one-size-fits-all approach of orthodox development against a bottom-up, locally specific and sustainable alternative.

The subject matter of the two final chapters is based in part on new material thus far not considered in academic study, including a variety of interviews held with stakeholders in AP and India. These interviews were intended in particular to gather opinions and views from farmers, farmers' representatives (whether trade union or NGO) and NGOs working on food policy issues. This gives unique feedback on the policies promoted by the donor and policy making community. This of course supplies information and perspectives unavailable elsewhere in the literature and posits a form of sustainable agriculture (which is being locally promoted in some cases) as a radical sustainable development option.



## 2. The analytical approach

The thesis will review the evidence for the success of development policies so far, with a consideration of the evidence supporting or questioning the claims made by the orthodox development community. This is to assess if the policy has been consistent over decades because of the proven success of its approach, as based on evidence. If there is insufficient evidence to support this, or if there is evidence to the contrary, this would suggest that there is reason to believe there are other reasons for development policy. It may be that ideas about how the world is, and how the world should be are more important.

In order to address the central question, the thesis will examine the construction of development policy and its representation by various institutions and groups. This examination will take the form of analysis based on that of Vivien Schmidt (2002) in *The Futures of European Capitalism*. She combines a review of the evidence for the success of policies so far, with an analysis of discourse. This requires consideration of policy construction, communication and justification by the policy community. This is in order to assess whether or not policy consistency over time is due to the proven success of the approach based on evidence, or is rather due to the promotion of particular ideas about problems and their policy response.

### 2.1. Defining discourse

Discourse analysts use various, divergent definitions, which, it is argued by Mills (1997:17) allow a wide degree of flexibility in application to changing circumstances or different disciplines. Within linguistics, discourse may refer literally to what is said, but the French philosophical movement of the 1960s brought a wider meaning to the term (Mills 1997: 4). Foucault saw discourse as a flexible concept and

... instead of gradually reducing the rather fluctuating meaning of the word 'discourse' ... added to its meanings: treating it sometimes as the general domain of all statements, sometimes as an individualisable group of statements, and sometimes as a regulated practice that accounts for a certain number of statements (Foucault 1972: 80).

Foucault defined the discourse of mental illness as

all that was said in all the statements that named it, divided it up, described it, explained it, traced its developments, indicated its various correlations, judged it, and possibly gave it speech by articulating, in its name, discourses that were to be taken as its own (Foucault 1972: 32).

Schmidt (2002: 210), focusing on European policy, pragmatically defines discourse (in this case for the purposes of analysis) as “whatever policy actors say to one another and to the public in their efforts to generate and legitimise a policy programme”. The term legitimacy in this case is interpreted as the ability to secure political support for a policy. Clearly, political actors, particularly those democratically elected, will endeavour to prove the legitimacy afforded them by a policy, that is, the rightfulness or appropriateness of that policy. By this definition, discourse can be both a set of policy ideas and values, and an interactive process of policy construction and communication, during which policies or arguments used in their justification may be developed, changed or fine-tuned.

Thus, what is said about development, and how it is said is important, but equally what is not said can be crucial. As mentioned earlier, mainstream IR theories prioritise states and major international actors, thus it could be said that the discourse of IR largely excludes problems of a human nature such as widespread hunger. Developing this notion, discourse may function as a limit on the framing of a problem and also therefore on the possible policy responses. As Lamy (2005: 207) described IR mainstream theories as limits to “our conception of reality” which may “define an agenda” so Escobar, (1995: 39) in examining the discourse of development, described it as a space “in which only certain things could be said and even imagined” and “the process through which social reality comes into being”. In this, it becomes an “articulation of knowledge and power, of the visible and the expressible” (Escobar *ibid*: 39).

Thus the study of discourse could be considered a “study of ideologies” (Norval 2000: 316), since a discourse can function as a support or justification for an ideology, where “assumptions [about social or power relations] ... [are] embedded in the forms of language that are used” (Fairclough 1989: 2). Fairclough argues that on various levels it is possible to examine the nature of communication and identify these assumptions, since

[i]nstitutional practices which people draw upon without thinking often embody assumptions which directly or indirectly legitimise existing power relations.

Practices which appear to be universal and commonsensical can often be shown to originate in the dominant class or the dominant bloc, and to have become naturalised. Where types of practice, and in many cases types of discourse, function in this way to sustain unequal power relations, ... they are functioning ideologically (Fairclough 1989: 27).

A consideration of development discourse, that is the language and concepts used, what it includes and excludes, should therefore allow an examination of the ways in which the discourse may affect or limit policy responses.

## 2.2. Why a discourse analysis?

A discourse approach firstly offers a focus on the expression of ideas and policy through language used to articulate them. Whilst researchers have, of course, produced policy critiques without discourse analysis, the approach offers useful perspectives, regarding the extent to which ideas matter in politics, and how those ideas are promoted or maintained. That is, the extent to which ideas affect the way that we interpret and define the world and its problems via language, which is effectively how ideas contribute to the construction of the social world.

This is diametrically opposed to a positivist approach in which the world can be measured in accordance with neutral scientific principles (Howarth 2002: 139). Unlike the dominant positivist tradition,

discourse analysis does not look for *truth* but rather at *who claims to have truth*, and at how these claims are justified in terms of expressed and implicit narratives of authority (Carver 2002, author's italics).

Behaviouralist research would exclude ideas since they cannot be measured or counted (Hay 2002: 196), while a rationalist approach (as with classical economics and rational economic actors) could do the same, since its focus is the context and rational actors within it, who are assumed to have perfect information and operate in a neutral, politically untainted environment (Hay *ibid*). The stress on ideas in social sciences illustrates a paradigm shift, away from the view that the world contains truths which are simply there to be construed in neutral language (Carver 2002). According to Hay (2002: 195) "very limited space [has been accorded] to ideas as causal ... factors in mainstream political science and international relations". The preferred focus has been on either the rational actor with perfect knowledge of a situation, or assuming predictable (and inevitable) behaviour within a structure. If it is accepted that these purist positions are "frankly, implausible" (Hay 2002: 196, 257), the logical next step is to recognise that ideas have independent significance, and to consider their role.

Secondly, critical discourse analysis presumes that the purpose of such research is to critically assess social relationships with a view to proposing other policies or strategies which might be more suitable and effective. This critical approach has meant that discourse theory has been accused of being not only 'unscientific' (according to positivist

researchers) but also “ideologically tainted” by the association with post-Marxism, post-structuralism or post-modernism (Mottier 2002). Townshend for instance criticises Laclau and Mouffe for being teleologically driven towards a “radical democracy” and writes that this should be abandoned so that “discourse theory can get on with the business of doing what it is best at, analysing political ideologies, without having to look over its ‘radical’ shoulder” (Townshend 2002: 11). In contrast, Howarth (2002: 129) clearly holds that the task of discourse theory is “clarification, critique and emancipation”. One of the purposes of Fairclough’s work on discourse and power for instance was to “help increase the consciousness of how language contributes to the domination of some people by others, because consciousness is the first step towards emancipation” (Fairclough 1989: 193). Fairclough agrees, at least in part with that, saying that discourse analysis should focus on “the issues, problems, inequities, dangers and possibilities which face people living within a particular economic and social order, with a view to imaginable and achievable outcomes which maximize social justice and freedom” (Fairclough 2002b: 165).

Finally, Schmidt’s (2002) work on discourse offers a clear framework to approach discourse analysis, which systematically allows themes and patterns to be compared at international, national and local levels. This is particularly important when tackling a topic such as this one, with an enormous literature base.

This study assumes that ideas and their expression in language are important in the formulation of international development policy, and it will try to demonstrate to what extent the material (i.e. that shown by evidence) and the ideational (beliefs and norms) affect policy. In addition, the ultimate purpose is to extend the understanding of the central question, and identify an alternative, or a set of possible alternatives.

### **2.3. Epistemological issues in discourse analysis**

If ideas are accepted as important this raises issues of what it is possible to know about them and their effects. Three issues relevant to this particular study will be explored here. Firstly, the importance of the historical and sociological context for understanding discourse; secondly, with what confidence the results of discourse analysis can be accepted; and thirdly the aims of discourse theory in terms of explanation and understanding.

Firstly then, it is necessary to consider what is said against the appropriate background. Fairclough (1989: 18) considers discourse as “language use conceived of as socially determined” – meaning that language has to be considered in context. Embracing this

principle in the field of historical study, Skinner and the Cambridge School developed a history of ideas not unlike Foucault's genealogy of knowledge, where they stress the importance of language and context in understanding politics (Norval 2000: 318). Taking this a little further, it is also not enough to

examine merely the words within that discourse or the images in the speaker's mind at the moment of utterance... but also consider the positions which are being criticised, or against which a justification is being mounted, [since] [w]ithout knowing these counter-positions, the argumentative meaning will be lost (Billig cited in Hajer 2002).

Hajer applies this specifically to environmental problems. In the case of acid rain for example, discourse can refer to the tradition of dealing with environmental problems, to particular ideas about the problem itself, its assessment, potential cause and industrial responses to it. In parallel, it could be argued in the case of this current study that the ideology under consideration is neoliberalism, and its effects on a particular case – in terms both of development donors and recipients of aid. Moreover, the key in argumentative discourse analysis is to examine the arguments around policy, that is the positions taken by critics and the results of the ensuing argument on policy or discourse (Hajer 2002).

Secondly, in taking an interpretive approach, it is necessary to acknowledge the difficulties and limitations posed. It is questionable whether a text can ever be understood as the writer intended, or if the context of text production or interpretation can ever be completely known. Perhaps the most that can be hoped for is a partial answer, and the researcher must remain aware of his or her limitations, and of potential misinterpretations. Nevertheless it should be possible to assume that the text will offer some insight into the prevalent ideas at the time of writing, even if it cannot be taken as synonymous with the intentions of the writer or speaker (Bell 2001: 10). In addition, any results will to some extent reflect the normative interests of the author of a text or its interpreter (Hay and Rosamond 2001:3). This obviously has implications for how results are viewed. Positivist researchers might claim to be very certain about any observations, arguments and predictions that they make. However, if it is accepted that there is no absolute truth in the social world to be observed and recorded, and that ideas and the material world are mutually constructive, then it follows that there must be less certainty about any research findings – whether claiming to have a positivist base or not. Without neutral observers, any judgements or assessments are necessarily subjective and therefore open to criticism (Hay 2002: 62-4). Clearly, this implies that any conclusions are heavily reliant on the author's interpretation of discourse. However, this does not

mean that the research cannot be rigorous, draw on a wide and varied selection of sources and views, and reach reasonable conclusions.

Finally, this uncertainty of interpretation might seem to be a problem for discourse analysis, but it is also argued that many scientific certainties are not the absolutes that they were once thought and that they "have been shown to be constantly revised, and very paradigm dependent, 'all the way down' " (Carver 2002). Howarth defines the role of discourse theory as being to aid understanding as to how, under what conditions and why discourses are constructed, contested and challenged. An analysis will produce interpretative accounts of social phenomena (Howarth 2002: 130-1) and ultimately, the research work would have to be assessed on its rigour of method (selecting an appropriately wide range of materials) and argument (for logic and consistency). In fact, one of the main contributions of discourse theory and analysis might be its very role in revealing uncertainties, showing how subjective understanding in any field is and the potential falsity of socially constructed identities (Mottier 2002). It also challenges the concept of absolute truth by putting ideas and meanings into their social and historical context and thus illustrating how relative and contingent many social truths are (Howarth 2002: 133).

Having considered the theoretical basis for the analytical framework, and having highlighted some of the most relevant issues it is appropriate to focus more closely on discourse analysis and its application to the study of development policy.

#### **2.4. Discourse and methodology**

Having considered why a discourse approach is useful, the next section will consider how to practically apply it to the subject of study.

There is a great variety of approaches to discourse analysis. Perhaps the most straightforward is that of conversation or textual analysis, but the intention of this study is not to consider words as scientific data to be counted, tabulated, and coded for patterns. Rather it is an analysis of what is said (or written) and what is meant, and to highlight points of contradiction or consistency.

The consideration of discourse will combine the analytical approach of Vivien Schmidt with that of critical discourse analysis (Chouliaraki and Fairclough 1999: 1).

## **The central question**

By problematising social phenomena the researcher can frame appropriate and “manageable” research questions, via the generation of hypotheses and the deconstruction of existing assumptions and concepts (Howarth 2002: 137, 140). The question here, given the stress of the official policy of the liberalisation of agriculture as poverty-reducing in Vision 2020, is ‘to what extent can we explain liberalisation of agriculture as a pathway to development in Andhra Pradesh?’ This will require the exploration of the history of orthodox development, the historical links between trade and development, challenges to the orthodoxy, the roles of the most significant actors and the impact on the people dependent on the agricultural sector, both generally and within AP.

Schmidt (2002: 210) defines discourse as “whatever policy actors say to one another and to the public in their efforts to generate and legitimise a policy programme”, and this will be the working definition adopted here, for the purposes of analysis. This will include the arguments which develop in critique of a policy and those arising in response to that critique. In doing so, the analysis will consider how the elements of development discourse are constructed, and how this may affect the policy response.

The thesis will firstly require consideration of the broad issues of international development to contextualise the analysis, with official documents forming the core for study, amplified by non-official sources. Official sources are primarily policy documents and communications from the AP state government and the national Indian government, those of the key donors (the World Bank and UK) and the broader donor community, and comment on those from supporters and critics, such as think tanks, business representatives, NGOs and academics. More broadly, the study will consider what policy actors say to one another, and possibly about each other – relying not only on the documents themselves but records of discussions and interviews, and it may also include documents and comments which are concerned with the broader context of Indian policy or development policy. Given the central concern with the farmers of Andhra Pradesh, there will also be primary evidence from interviews, mainly carried out in India in January 2005. It was considered most important here to seek the opinions of farmers and NGOs or trade unions working with and representing farmers, in order to best understand their opinions, interests and needs (for a full list of interviewees see Appendix).

## The analysis

Vivien Schmidt (2002) makes a detailed analysis of globalisation and its effect on policies within the European Union (EU) countries in *The Futures of European Capitalism*. Her approach offers a basis for the construction of relatively simple questions to pursue in the analysis in this thesis, considering the role of ideas and the expression of those ideas in language and context.

Schmidt (2002: 213, 218) distinguishes between the ideational and the interactive dimensions of a discourse, in some ways an artificial distinction but one which nonetheless offers useful categories to consider when examining the nature and function of a discourse and the resultant policy (see figure 1 below). The ideational dimension facilitates the examination of how a problem is constructed, how policies are defined, and how the policies are justified as correct, or consistent with the values of the polity.

| Aspect    | Logic of argument                            | Standards of argument   |
|-----------|--|---|
| Cognitive | Justifies through the logic of necessity     | Provides the core idea with great potential; demonstrates relevance, applicability, coherence and problem solving capacity. |
| Normative | Legitimizes through logic of appropriateness | Shows that it responds to problems of polity; reflects/affects national values.   |

**Figure 1. Ideational criteria for success of discourse about policy programme. Table from Schmidt (2002: 218)**

The ideational dimension, as indicated in the table, is further divided into cognitive and normative aspects. The former justifies a policy or programme by demonstrating its superiority (that is, its ability to address particular issues or solve particular problems), by demonstrating a 'logic of necessity'. In considering this aspect of the discourse, it is relevant to examine the nature of the central concepts and their implications for problem-solving and therefore policy construction. The normative aspect demonstrates the suitability of a programme or policy in a particular situation or for a particular audience. This is the 'logic of appropriateness', which demonstrates how the policy generated appeals to values or norms.

The distinction between the two stages of the ideational dimension should allow a division of the arguments into those framing liberalisation of agriculture as the solution to hunger and poverty, and those as to why *Vision 2020* is appropriate for India and the state of Andhra Pradesh. Schmidt suggests this is advantageous for both analytical and empirical purposes - although admits that there is likely to be overlap and that they might



often be difficult to disentangle (Schmidt 2002: 230, 239). Even so, the distinction is helpful since it allows, at least to some extent, the separation of the generic from the specific justifications.

| Stability   | Crisis  |
|---|---|
| Policy discourse explains policy choice in both normative and cognitive terms ...   | Discourse's decreasing ability to legitimise programme because of disjunction between cognitive and normative arguments and because of... |
| ... maintaining consistency between policy discourse and the policy programme ...   | ... increasing disconnection between policy discourse and policy programme because of ...   |
| ... meaning that the programme continues to be perceived as problem solving and appropriate despite possible external change. | ... the programme's decreasing ability to solve problems created by external events and growing inconsistencies in sectoral applications. |

**Figure 2. Policy discourse and programme in ideational crisis. Table adapted from Schmidt (2002: 226)**

There may in addition be divergence of opinion at the various levels. For example, agreement at the cognitive level that the policy is right in principle does not guarantee agreement at the normative level. Some groups who disagree with a policy, at normative or cognitive levels, may also be prepared to support it in return for concessions elsewhere. Schmidt states that the process of coalition building and negotiation is the first stage in setting the agenda and generating new policy (Schmidt 2002: 230-4), but it is also true to say that this is important at other stages, particularly where strong disagreement over policy aims and effects arises.

Figure 2 summarises Schmidt's conception of how disjuncture between the normative and cognitive aspects of a policy discourse, or between the discourse and policy can lead to instability. This instability may lead to a lack of legitimacy. This may be due to a disjunction between components because of gradual change over time, meaning that the policy or arguments used in its justification are no longer relevant, or persistent failure of a policy which indicates disjuncture between policy and discourse. Alternatively, this may be due to a crisis, resulting from external change or criticism that cannot be discounted. This might therefore force a policy change, or if a discourse is 'supple enough' (Schmidt 2002: 226), it may be able to respond to the crisis and adapt, by somehow taking account of the arguments. It will be argued in this case for instance, that although the Asian Crisis of 1997 shook the confidence of the orthodox community, it did not change

policy, but rather caused an adaptation of the discourse. On the other hand, adherence to the policy of liberalisation seemed to cause the Indian government (at both national and state level) problems. A crisis of legitimacy, with the power-holders being perceived not to serve the interests of the poor, is claimed to have caused or contributed to the election loss of state and national governments in May 2004. This then calls into question the appropriateness of the policies for the most vulnerable in AP.

| Function             | Actors           | Interlocutors | Generator of ideas  | Purpose   | Form  |
|----------------------|------------------|---------------|---|---|---|
| <b>Coordinative</b>  | Policy actors    | One another   | Epistemic community, discourse coalition, advocacy coalition, policy entrepreneur | Construct policy programme, come to agreement                         | Provide language framework for policy actors discussion and deliberation            |
| <b>Communicative</b> | Political actors | Public        | Policy actors, political entrepreneur   | Communicate to public, provide orienting and legitimising information | Translate programme into accessible language for public discussion and deliberation |

**Figure 3. The interactive dimension of discourse; taken from Schmidt (2002: 231).**

The second dimension of discourse in Schmidt’s approach is the interactive, which is the active use of concepts and arguments within a discourse, to build policy coalitions, or to win public support. Schmidt (2002: 230) argues that it is not enough for a discourse to have sound arguments but that actors ‘must be able to use the discourse effectively’ for either purpose. The interactive is thus also divided into two stages, the coordinative and the communicative. The former deals with policy generation, construction, and coalition building, the latter with communication to the broader political community, seeking political legitimacy (see figure 3 below).

The coordinative stage is that where the policy actors may be involved in the generation of a discourse as relevant to a particular policy to provide a common language, and this forms “the frame within which the policies can be elaborated” (Schmidt 2002: 232). Here, the policy actors themselves must reach agreement. The communicative stage is that where the public and particular stakeholders are informed of the policy and it is, or should be, legitimised by gaining political support. This might mean that the language used is different, for instance by the avoidance of certain terminology or issues that were

part of the coordinative stage (ibid: 230-2). Both the stages are reflected in “[n]arratives, technical/ scientific arguments, paradigms, frames of reference, guidelines, techniques, recipes, metaphors, slogans, foundational myths, evocative phrases, images” (ibid: 214-8).

The coordinative stage thus may include language or ideas not intended for public consumption. Sir John Hoskyns (ex Head of the Downing Street Policy Unit) noted the difficulty of distinguishing between coordinative and communicative arguments when briefing senior politicians. He noted that the

initial difficulties ... stemmed from [an] inability to understand ... [that] our ... reports were draft speeches, public words rather than strategic thoughts (Blundell 2001: 103).

The relative significance of these interactive stages might vary with the issue or with the country. For instance, a powerful executive such as in the UK means that power is more centralized, and the coordinative function (of policy generation) may be more straightforward but the communicative stage (of gaining political legitimacy from the electorate) more elaborate. Conversely where power is more diffuse, such as in Germany, the coordinative stage is more elaborate (there being more significant stakeholders to influence the generation of the discourse), and the communicative stage may thus be more straightforward (Schmidt 2002: 230-1).

The communicative stage might be particularly important, and potentially more complex, if promoting a change in policy or practice as this implies that there is an argument to be won. In the case of *Vision 2020* a major change was proposed – the commercialisation of agriculture, which could result in the displacement of 20 million or more people (Pimbert and Wakeford 2002: 4). India is the world’s largest democracy, with a vast number of poor and hungry. (According to recent figures from the UN Statistical Division (2004) those with an income of less than \$1 a day make up over 35% of the population, translating to over 350 million people, while those suffering under-nutrition make up over 21%, meaning around 210 million people). This means that an absence of national or federal policies, which are demonstrated or believed to solve the problems of the disadvantaged groups, may lead to severe problems of political legitimacy.

The communication to the polity usually takes place with the aid of media machines and policy supporters. Overall outlines may be given by a "master" politician of a "master" discourse, with related sectoral discourses which are then generated. The degree of coherence might be a reflection of the level of coordination at the previous stage which

may affect how clear the agreed central arguments are. It might also depend on the degree of control – the current Prime Minister Tony Blair, for instance, has a reputation for closely controlling public output. There can also be adjustment to the discourse at the communicative stage as a result of policy makers listening and reacting to public opinion (Schmidt 2002: 235-7). The discourse in this respect is significant in what it says and in what it excludes.

## **The Research Framework**

Schmidt's work is largely the basis for the framework below, although one significant change is the normative approach taken in this case. In this thesis the assumption is that persistent poverty and hunger is unacceptable. Therefore, the intention is to critically assess the discourse of development and its relationship with development policy in practice, in order to identify solutions. This is consistent with Fairclough's critical discourse analysis, and consideration of the criticisms, and reactions to those criticisms, can be seen as a further stage of the interactive dimension. Figure 4 summarises the outline questions of the whole framework.

The questions in the research framework have been formulated to address the various aspects of discourse as discussed by Schmidt. The first two aim to clarify the central question and the definition of discourse as used in this study. The subsequent questions have been formulated to address all aspects of the ideational and interactive dimensions of discourse, although it is not always possible to completely isolate one dimension or stage from another, so there may be a degree of duplication and overlap.

Question three and its sub-questions deal primarily with the cognitive aspects of the ideational dimension by considering how the policy is presented as problem-solving and is therefore necessary. This requires the consideration of a number of strands of inquiry. Firstly, to consider the nature of the elements defining the problem, and secondly, their influence over the policy response. As said earlier, the way in which a problem is described, will affect the policy response to it. Hajer (2002) for instance, considers how to make sense of an environmental reality such as large numbers of dead trees. They could be characterized as the victims of natural stress such as drought, or they could be seen as casualties of severe environmental pollution. Depending on which thesis is believed, they may be interpreted as a natural phenomenon, or a political problem requiring a policy response. Thus the nature of policy, or the presence or absence of it, may be a result of discourse employed to frame a problem. Thirdly, examination of how the policies are presented as necessary, or problem-solving, should demonstrate the ideas behind

the policy. An examination of the problem-solving ability of any policy will require a review of the evidence, and this will be introduced as relevant.

Certain actors play significant roles in framing problems and in promoting or developing policy responses. Question four therefore asks 'What actors have been key in developing the approach and constructing policy? This falls chiefly within the interactive coordinative stage, by considering the actors, their interests and how they have been involved in policy coordination. As figure 3 above indicates, these could be actors from the political arena, significant epistemic communities, or other interest groups which have influence.

The normative aspect of the ideational dimension focuses on the suitability or appropriateness of policies. 'How are policies presented as relevant to particular situations or audiences?' allows consideration of the way in which the policies were communicated to particular audiences, and their success in achieving political legitimacy. Closely related to this question is that of how the policy was communicated, which begins to consider the interactive communicative stage.

Further exploration of the interactive communicative stage leads to an exploration of the challenges to a policy. As said, the intention is not only to consider how the policies were explained, but the criticisms made, the arguments which arose as a result and the nature of these. Also relevant is the occurrence of crisis, (economic, political or other) which may also have affected the performance of policy or the appeal of the discourse, and the evidence for the success of policies. This next step here is to discuss the effect of challenges and whether they have had any effect on the policy or the way in which it is presented. Therefore, there is a consideration of the effects of argument, critique and crisis, including the promotion of alternatives.

The final question suggests a review of the analysis with regard to the central research question (and the related questions below) to draw relevant conclusions, for instance to consider the consistency or inconsistency of the discourse over space and time, and to what extent we can explain the reliance on liberalisation of agriculture as the pathway to development in AP.

This framework provides a basis for an analysis appropriate to the central question. The questions are intended to give a broad guide for each section of the study, but to be

**1. What is the central research question?**

**2. What constitutes discourse in this case?**

**3. What is the approach /policy?**

- What are the key constituent elements?
- How are elements constructed?
- How might the elements influence policy?

**4. How is the approach/policy presented as problem solving?**

**5. Which actors have been key in developing the approach/ policy?**

**6. How was the approach/policy presented as relevant to particular situations or audiences?**

- How does it reflect norms and interests?
- How was it communicated to the public and wider world?

**8. What challenges and criticisms have there been?**

- What criticisms have there been?
- What crises have questioned its problem-solving ability or its appropriateness?

**9. What has the effect been of criticism or crisis?**

- Have there been demonstrable changes in policy or discourse?
- Have alternatives been posed or emerged?

**10. What conclusions can be drawn from the analysis?**

- What are the implications of analysis for the central question?

**Figure 4. Research framework (after Schmidt, Hay, Hajer, Howarth and Fairclough)**

applied, amended or expanded as necessary. An outline of those questions to be pursued will be given in the introduction to each chapter. Moreover, the questions will be approached in their relevant historical or political contexts. The following sections will outline the content and method for the remaining chapters.

### **3. The structure of the thesis**

Having said that it is important to understand discourse in context, the thesis will progress from the general to the specific and will begin with an historical analysis of orthodox development policy at the macro scale, the challenges to it and the key actors. It will then consider the parallels and differences between this and the sectoral discourse of international development as applied to agriculture. Finally, it will consider agricultural development within Andhra Pradesh and the impact on communities and individuals.

Chapter two provides the introduction to the orthodox approach to international development and its historical basis, in particular the linkages between international development policy and liberalisation. This takes the form of an analysis of the main elements of the discourse, how they were constructed and how they may affect the policy response. In this case, the recurring components of the development discourse are poverty, growth and liberalisation, in addition to development itself. This part of the analysis is what Schmidt would consider to be examination of the cognitive aspect of the ideational dimension of a discourse, where the relevance and problem solving ability of a policy is demonstrated and explained. This is closely related to the coordinative stage of Schmidt's interactive dimension in which the actors involved in policy formulation construct the policy and arguments to demonstrate its problem-solving ability, or "logic of necessity"(Schmidt 2002: 218). Thus the second part of chapter two will consider the role of key actors involved in the formulation or promotion of the orthodox approach, and how they used the elements in their arguments. The chapter will close with a consideration of the arguments used to present the policy as appropriate in some situations, in this case to the people of the US in the post-1945 years.

Chapter three concentrates on the communicative stage of the interactive dimension, as described by Schmidt. This explores how the orthodox approach was (and in many cases still is) criticised by recipient states, academics or NGOs, or challenged by external events. This requires a discussion of the various arguments, and if, or how, they were dealt with by the policy community. As Hajer (2002) wrote, it is necessary to understand the criticisms and their counter arguments in order to better understand the discourse itself. This chapter also begins to identify alternative pathways which may offer

solutions both more appropriate to a particular community and better able to serve the interests of that community.

The next chapter, the fourth, will concentrate on the role of two particularly important actors and their current roles and policies with regard to India and AP, namely the UK and World Bank. These two have been chosen because historically they have been central to international development policy, and today they are both closely involved in funding and supporting development in India and AP. This largely falls into Schmidt's coordinative stage of the interactive dimension, when the policy makers interact with the broader policy community (which may include epistemic communities, the business or research sectors), and develop a common framework and means of communication. The 'logic of necessity' and the 'logic of appropriateness' of the policies of the two will also be examined.

The fifth chapter will consider the sectoral application of the orthodox approach to agriculture. This will entail considering specific additional elements of the discourse, in this case food security and modernisation of agriculture. The chapter will also consider the role of other actors important in this case, and how they have presented the approach as problem-solving, and what the challenges to their position have been. As before, consideration of the challenges will include both normative differences and a review of the evidence with regard to the success of policies thus far.

Chapter six will examine the appropriateness of agricultural liberalisation as a strategy for development for the most vulnerable individuals and communities in India and AP. The first part of this chapter will therefore concentrate on the normative aspect of Schmidt's ideational dimension, and then, in order to give a rounded picture of the situation in AP address the basic framework questions for agricultural liberalisation as applied there. Thus the additional actors, how they have presented their policies as problem solving and the challenges and effects of those challenges will all be examined. Finally, there will be a consideration of alternative approaches, which may be those demanded by critical groups, or those already practised within AP.

The concluding chapter will review the central question in the context of the evidence and arguments examined in the previous chapters. It will consider consistencies or contradictions between the different levels of approach and consider again the contribution of this to the field of IR.



## **Chapter two: The origins of the orthodox approach to development.**

Escobar (1995: 18) observed that in order to understand the discourse of development economics, it was necessary to understand its historical context, and the effect of existing assumptions and beliefs. This is consistent with the view of others (see chapter one) who agree that placing any discourse in its proper context is essential. In this case then, in order to understand the policy of agricultural liberalisation in Andhra Pradesh, and its relationship with the orthodox development approach, its roots in the broader discourse of international development must be appreciated. Thus this chapter will explore the 'orthodox approach' to development, primarily through its elements and their construction. It will also consider the role of particular actors in policy generation and explanation. This is largely relevant to the coordinative stage, where policy actors may be involved in the generation or use of a discourse to provide a common language, and this forms "the frame within which the policies can be elaborated" (Schmidt 2002: 232).

The chapter will begin by considering the elements of the orthodox approach, their construction and influence on policy, and how they are used to present the approach as problem solving. This is effectively an exploration of some of the ideas underlying the approach, and how they have shaped the key elements, their interpretation and application. Development itself, and the related elements of poverty, growth and trade will be examined as they appear early in the discourse, they persist as central components and they form the basis for the current orthodox approach.

Next, there will be an examination of the key actors involved in international development policy in the post-war years. These actors were responsible for framing the problem and therefore its responses. The starting point will be to consider the US and UK who were the main architects of the Bretton Woods system, which still coordinates international development policy. The pursuit of free trade as the basis for economic growth gave increasing significance to the role of private actors in international development and their role will be reviewed next. Finally, the role of the Chicago School, whose ideas ultimately form the basis for neoliberal economic policy, will be reviewed. Many of the original arguments persisted, but the basis for successful development changed from free trade (with considerable state control) to broad economic liberalisation (with a marked reduction in the role of the state).

Having already considered the way in which the approach was presented as problem solving, there will also be consideration of how the approach was argued to be in the interests of a particular community and how it was communicated. In this case for instance, the impact on the people of the US was important.

## **1. What is the orthodox international development approach?**

To facilitate the analysis of this question, the approach will be broken down into key elements, which recur in texts and the central arguments. The elements are development itself, poverty (the reduction of which is the stated aim of World Bank and UK policies) and the related concepts of growth (the means to reduce poverty) and liberalisation (the means to achieve growth). Development is one of the “essentially contested” concepts (Gallie 1968: 158) and whilst there might be general agreement as to its nature amongst members of the mainstream development community, there is an ongoing debate about its definition and the appropriate pathway for its achievement.

### **1.1. The elements of orthodox development**

#### **Development**

The Oxford Shorter English Dictionary defines development as “the action or process of developing: evolution, growth, maturation”, reflecting the scientific origins of the term. It was used to denote the changes in biological or evolutionary form implying progress towards an optimal state (Esteva 1992: 6). Towards the end of the eighteenth century the term was first used to describe social phenomena by academics such as Moser who applied it to social change (Esteva 1992: 8). At this time, the concept had strong links with the key characteristics of modernity, which centralised wealth and advancement (Watts 1995: 48). Adam Smith (cited by the Adam Smith Institute 2000) wrote of “improvement” and “the natural progress” towards “opulence”. This, like the Darwinian form of evolutionary development has almost exclusively positive, desirable connotations (Latouche 1997: 136).

In the application of development to economics, Leys describes Marx and Hegel as the “originators of development theory” (Leys 1996: 4), who saw world history as progress, towards a better end state. Industrial (or capitalist) society was that end state (albeit one where the proletariat would be required to revolt to gain their fair share) and this marked an improvement or progression for society (Leys 1996: 5; Esteva 1992: 10). By the mid

nineteenth century the central assumption in development was of linear progress “rooted in Western capitalist hegemony” (Watts 1995: 47).

Economic development was a term rarely used before the 1940s but it became common in the post war period (Meier 1984: 7), and was broadly synonymous with growth, still the case today amongst economists (Myrdal 1984:153). This interpretation of development differed importantly from that of Hegel or Marx in that it was intended to be a prescription for action, rather than a description of industrial development (Leys 1996: 5-6), an important reason for considering the post-1945 context of development. It has been said that the problems of achieving development “were thrust upon economists by the break-up of colonial empires in Asia and Africa” during and after the Second World War (Meier 1984: 5). Although the colonies gained independence, “fulfilling the UN charter goal of colonial emancipation” (Meier 1984: 5), this changed how those countries were popularly perceived. In the eighteenth century they were considered “rude and barbarous”, in the nineteenth century “backward”, in the early twentieth century they became “underdeveloped” (Meier 1984: 6).

### **Underdevelopment and modernisation**

President Truman raised the idea of underdevelopment as an opposite of the Western developed state (Truman 1949), although he was not the first to use the notion of underdevelopment, nor was he the first to comment on the differences between nations. Wilfred Benson of the ILO (International Labour Organisation) had written in 1942 about “underdeveloped areas” and development economist Arthur Lewis had in 1944 commented on the differences between rich and poor (Esteva 1992: 6-7). However, the significance of Truman’s use of underdevelopment was that he took it as the “emblem” of his own policy, giving it a new status and broadening its use (Esteva 1992: 7). Sachs (2000: 4) suggests Truman’s speech marks the precise “dawning of the age of development”.

Taking a rather more negative view, the international trade economist Jagdish Bhagwati opined that the term backward came “closest to the essence” of developing country problems. Underdevelopment was due in part to “primitive methods of cultivation and manufacture, low levels of labour productivity, and an unwillingness to innovate” (Bhagwati 1966: 6, 51). Linear development from “backward” to the Western modern industrial society was assumed universally desirable and possible, presuming that countries of the global South would create economies similar to those of the North by industrialising agriculture and utilising advanced technologies (Thomas 2000: 34-5) and

that all were moving along a “single road” (Sachs 2000: 4). Despite competing models (notably from the socialist form of development) the Western orthodox approach came to subordinate any other form of organisation, with an explicit challenge to the Eastern bloc. The superiority of Western society is implicit in this strategy, but was often made explicit. In 1947, a French delegate to the United Nations (UN) Trusteeship Council said it was good to see France bring “a Western mode of reasoning” to Africa (cited in de Senarclens 1997: 192). The same delegate noted that “African culture has been enriched by contact with Western civilisation, represented by Great Britain and France” (UN 1947: 358). Similarly, modernisation theory, which prescribed the linear development model, favoured modernity over traditionalism, and Western economic organisation over any alternative (Preston 1997:175), while promoting the role of industry as technical advisor and innovator. As Truman said, “the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge” (Truman 1949).

Today, the belief in modernity and science persists. “Access to technology” is assumed to be a “benefit” (World Bank 2002e) and in agriculture “[b]etter crop choice and improved technology could help greatly” (Stern 2001). Former managing director of the IMF Horst Kohler stated that

the spread of ideas and technology has produced unprecedented gains in economic growth and human welfare for most of the world—and it still holds huge potential for the future (Kohler 2002b).

Similarly, the DFID stresses technological advance, stating that “[t]hrough expanding access to ideas, technology, goods, services and capital, globalisation can certainly create the conditions for faster economic growth” (DFID 2000a: 17). This assumes that “[t]he rapid integration of the global economy, combined with advances in technology and science, is creating unprecedented global prosperity” (DFID 2000a: 19).

But if policies were to be identified which changed the status of ‘backward’ countries, then a definition had to be developed which would allow development of policy aims and a measure of success. A UN report from the 1950s defined under-developed countries as those in which per capita real income was low when compared with the per capita real incomes of the US, Canada, Australasia and Western Europe (UN 1951a: 3). This comparison of nations in terms of income only began in the early 1940s, and as the notion of underdevelopment emerged, in parallel came the concept of global poverty (Escobar 1995: 22).

## Poverty

Escobar (1995: 21-2) describes the “discovery of mass poverty” post-1945, and saw a transference of the discourse of war to the ‘fight’ against poverty in the Third World. Today the language still uses battle imagery - “[f]ighting poverty is both a moral imperative and a necessity for a stable world” (World Bank/IMF 2000: i) in order to “reduce social imbalances” (ibid: 1).

To develop a strategy to ‘attack’ poverty, it is necessary to define it. In mainstream discourse, poverty has often been assumed to be a simple economic standard, that is, the lack of money to satisfy material needs (Thomas 2000: 38). This simplicity facilitates international comparison, and the desire to compare and model internationally led the World Bank to setting a \$1 per day line as a base line poverty indicator (Raghavan 2000). This was described in the 1990 *World Development Report*, which explained the use of the consumption-based poverty line, allowing for local price variations of essentials. The report notes that “a universal poverty line is needed to permit cross-country comparison and aggregation” but then admits that a “global poverty line is inevitably somewhat arbitrary” (World Bank 1990: 27).

The World Bank is the principal producer of figures on global poverty (Reddy and Pogge 2002), and uses the \$1 per day line to indicate ‘extreme poverty’, and a \$2 per day line to indicate ‘poverty’ (World Bank 2002d: 328). Although adjusted for purchasing power parity (PPP), which takes into account price differences, these lines do not account for all variables and preferences and the resultant international comparisons are not always ‘robust’ (CPRC 2004: 133). As an alternative, World Bank researchers Dollar and Kraay defined “the poor as the poorest 20% of the population” (Dollar and Kraay 2000: 12) – again an income linked measure. The dollar-a-day lines have gained considerable international political credibility. For instance, the British Government committed, via the Millennium Development Goals (MDGs), to “[r]educing the proportion of people living below a dollar a day from 30% to 15% of the developing world’s population ...” (DFID 2000b: 9).

There has however, in recent years, been greater acceptance that poverty is highly complex and not purely economic. “Poverty goes beyond lack of income. It encompasses economic, social, and governance dimensions” (World Bank/IMF 2000: i) and should take into account other indicators such as health and infant mortality (DFID 2000a: 10). Still, it remains the case that the “key indicator of achievement is the proportion of people

living below a 'poverty line' of US\$1 per day and it will be important to monitor trends" (DFID 2000b: 11). The logic of this argument is that

[a]s countries become richer, on average the incidence of income poverty falls. Other indicators of well being, such as average levels of education and health, tend to improve as well. For these reasons, economic growth is a powerful force for poverty reduction (World Bank 2000: 45).

Thus, the other dimensions of poverty are acknowledged, but are generally presumed solved by the same strategy. That strategy prioritises trade since "[i]ncreased trade and investment opportunities for developing countries offer enormous potential for poverty elimination" (DFID 2003b: 4), and "[a]ny serious attempt at reducing poverty requires sustained economic growth in order to increase productivity and income in developing countries" (World Bank 2002g: 1). It remains the orthodox view that poverty is ultimately a lack of money and its eradication is the prime development objective, best achieved by economic growth.

## Growth

Throughout the orthodox literature linkages between growth and poverty reduction are assumed to exist. A recent UK government report states "[e]conomic growth is essential for poverty reduction" (DFID 2000b: 16). The report goes on to say

progress that has been made in reducing the proportion of people living in poverty has been the result of economic growth raising incomes generally, including those of poor people...[t]his has raised the absolute level of income of the poor (DFID 2000b: 16).

World Bank documents contain many references to the key role of growth. Dollar and Kraay's report *Growth Is Good For The Poor* asserts that growth generally does benefit the poor and that "growth-enhancing policies of good rule of law, fiscal discipline, and openness to international trade should be at the centre of successful poverty reduction strategies" (Dollar and Kraay 2000: 32). The *World Development Report* from the same year noted "the strong links between economic growth and the income and non-income dimensions of poverty" (World Bank 2000: 46). Yet another report states that "[s]ustainable economic growth" is key "to fighting poverty" although it does also stress the role of "appropriate social policies" (World Bank/IMF 2000: 1).

Development strategy in the 1950s followed from the dominant development economic theories and concepts, where industrialisation was the engine of growth which would pull

the rest of the economy along (Thorbecke 2000: 22). There was an inescapable “need for a higher growth rate in the underdeveloped areas” (Bhagwati 1966: 35). This was in part because some countries had achieved remarkable growth (such as the USSR) (Bhagwati 1966: 35) and expectations had been raised in the poorer countries. Furthermore, that growth could be described theoretically, and actually promoted as a matter of policy were intellectual and analytical novelties. Paul Streeten suggests that it was the dramatic recovery of Europe's economy that lent credence to the notion that deliberate intervention in an economic system to raise its level of activity was possible (Preston 1997: 158).

Economic growth is usually measured as Gross National Product (GNP) or Gross Domestic Product (GDP) (the two being calculated in a similar way but the latter excluding overseas earnings) (Stalker 1984). Adam Smith was an early proponent of such a measure, calculating the wealth of a nation according to the sum total of its goods and products, and this in proportion to its population, a calculation similar to GNP per capita (Hoogvelt 2001: 4-5). More recently Gross National Income (GNI) has emerged as a favoured term, but this is identical to GNP according to the Organisation for Economic Cooperation and Development or OECD (2005). This study will take GNP as the measure of economic growth, while noting the difference between the terms. A comparison of national incomes based on GNP, whilst crude, was presumed to give “an unmistakable picture of the great divergence in level of income among different countries and show[s] that the majority of the peoples of the world live on extremely low incomes” (UN 1952: 131-2).

Increased GNP is assumed to be an automatic side effect of trade liberalisation, via the liberalisation of industry, commodification (for example of agriculture) and the export of surplus goods (Thomas 2000: 38). According to economic theory, this is because if individuals or groups exploit a comparative advantage for production of a particular item and specialize in it, they maximize output and supply of the item to the world market (assuming that production is at a competitive rate). This increases trading potential, by increasing surplus and profit, and in theory allowing others to specialize in their own “best” product (Hoekman and Kostecki 1995: 22). The positions that “trade is crucial for growth” (Kohler 2002a) and that “freer trade boosts economic growth and supports development” (WTO 2002) are logical extensions of this argument.

## Trade

Trade liberalisation dominated speeches by US Presidents Roosevelt and Truman, and the latter prioritised “reducing the barriers to world trade and increasing its volume” (Truman 1949). Even so, before 1980, development economics was a discrete area of study, which sought to analyse what particular strategy might encourage economic growth. Myrdal for instance observed that there were “real structural impediments to development” which logically require compensatory policies. However, since 1980 the idea that trade liberalisation is enough to encourage growth and that growth reduces poverty had effectively meant the acceptance of trade liberalisation as a development strategy (Weisbrot 2001). Today, the orthodox view is that trade liberalisation is the central requirement, and almost synonymous with development, leading current economic theory to reject “the idea that it even needs a discipline of development economics” (Weisbrot 2001).

The IFI policies themselves reflect a “fundamental belief... that trade liberalisation aids growth which in turn aids poverty alleviation” (Winters 2002: 28) - in other words, trade leads to development. Poverty might be “the foremost challenge facing the international community” (Kohler 2002a) but Vice President of the Bank Nicolas Stern commented that economic growth and market-oriented reforms were both “crucial” to sustained poverty reduction (World Bank 2000a). Stern thus centralised market reforms while maintaining that the aim was growth that directly benefits the poor. Similarly, Mike Moore when WTO Director General said that

although trade alone may not be enough to eradicate poverty, it is essential if poor people are to have any hope of a brighter future. For example, 30 years ago, South Korea was as poor as Ghana. Today, thanks to trade-led growth, it is as rich as Portugal (WTO 2000).

Thus trade liberalisation is not only desirable but essential.

The DFID report *Halving World Poverty by 2015* (2000b: 20) states that “[e]mpirical analysis shows that greater trade openness contributes to higher economic growth” and even if

[t]he impact of trade liberalisation on poverty is more complex ... there is no doubt that by boosting growth it can make a major contribution to the reduction of poverty, or that it forms an essential part of a comprehensive strategy for tackling poverty (DFID 2000b: 20).



Joseph Stiglitz, former chief economist of the World Bank, observed that there is no longer an intellectual belief that markets fail (Hutton 2002) and there is supreme confidence in progress so far: "proponents of trade have always considered that trade is the policy and development the objective. The experience of the post-war years only proves them right" (Bhagwati 2002). This underlies the policies today prescribed internationally by the IFIs. The WTO specifies trade rules for member states (ensuring liberalisation in return for WTO membership) and the IMF ensures that public spending is kept to a minimum to allow repayment of international debts. The World Bank, although also supportive of market-based policies, has responsibility for mobilising resources to alleviate poverty and achieve sustainable development (Hoekman and Kostecky 1995: 51). However, while the policy documents make frequent reference to poverty-focused strategies, there is increasing convergence between the policies of the World Bank, the IMF and the WTO. For instance in spring 2003 the chief representatives of each organisation met to discuss the "coherence agenda". The Bank and the IMF agreed to promote the role of trade liberalisation within the country development strategies, in return for observer status at WTO meetings (Mekay 2003).

### **How might the elements influence policy?**

The definition of a problem, how it is framed and defined, will influence the responses to it. Thus the choice of language and whether elements are viewed positively or negatively is significant. Similarly, the choice of the elements themselves may lead in a particular direction and to particular conclusions. For instance, Rahnama (1997: 119) asserts that the position on poverty taken by Truman was very different to the previous colonial approach in which poverty was acknowledged but considered an insoluble problem. In the colonial era economic or technological development in the South was viewed as impossible, based on the assumption that the people in those countries were either unreceptive or incapable of change. But post-1945 the idea was promoted that all had the potential to become economic actors of the same nature as those driving the orthodox international development approach.

Similarly, the use of development as the overarching term gives the policies and approaches its positive, progressive connotations. Furthermore, by characterising the alternative to development as 'backward' or 'primitive' increases the desirability of development and elevates scientific and technological approaches over the traditional. If, as in the case of the orthodox discourse, the measurement of development is the impact on poverty, which is indicated primarily by economic growth, then policies which enable economic growth become justified. Free trade, which later became transformed into

economic liberalisation, was therefore effectively synonymous with development, since causal linkages are presumed between the elements.

The use of GNP as a measure also focuses development at the state level, and the state becomes the target of development funding, rather than the most vulnerable communities.

## **1.2. How is the orthodox approach presented as problem-solving?**

The structure of the elements and the linkages between them are key in developing the argument that liberalisation is the pathway for development. There has been a very strong presumption of causal links between trade liberalisation, growth and poverty reduction. For instance, the *World Development Report 2002* notes that “[t]hrough their powerful effects on economic growth, the institutions that support markets are an important force for poverty reduction” (World Bank 2001: 5). The IMF is even clearer, with Horst Kohler (2002a) stating that

trade is crucial for growth. There is no example of a developing country experiencing rapid growth without strong integration through trade into the world economy. Trade liberalisation is also an important element [and] ... resisting pressures for protectionism is key to strengthening confidence about the future prospects for strong global growth and shared prosperity in the world. There would be very significant benefits to all if the Doha Round could duplicate the growth in trade that followed the Uruguay Round.

Other influential international actors share that view. A WTO statement issued after the current trade negotiations stalled in Cancun stated that

[i]t is widely acknowledged today that trade is a vitally important element in any program for development, as it can deliver benefits to developing countries worth many times more than all the development aid they receive. Opening markets for trade in manufactured products, services and agriculture can provide the key for global economic growth and development (WTO 2003).

The DFID (2002c: 4) stresses the role of aid in stimulating trade, since it is

widely agreed that open, trading economies grow faster in the long run than closed economies. Trade increases competition and skills and technology transfers, which increase productivity. Hence if aid induces a shift towards non-tradeable production it may have a negative impact on long-term growth prospects.

Jean-René Fourtou (2003), Chair of the International Chamber of Commerce also presented trade as good for all, saying that “[g]overnments can take the road to greater liberalisation of international trade for the good of all, or risk sliding back into a world governed by narrow and short-sighted self-interest”.

The statements above rely on the assumptions that growth is essential for development, that economic growth (and therefore development) can be measured by GNP and that trade is essential for growth. Implicit (sometimes explicit) is the assumption that this strategy will lead to poverty reduction. Given the “very clear evidence that countries which open up trade and grow reduce poverty”, there is not “much serious debate left on that issue” (Graham, in IMF 2002).

Furthermore, the linkage of this development to peace, given the major wars of 1914-18 and 1939-45 made the case for development even stronger. A UN commission concluded that

at least half the peoples of the world are living, by no fault of their own, under such poor and inadequate conditions that they cannot, out of their own scanty resources, achieve decent standards of living. The deep gulfs existing between the standards of living of different nations and peoples are ... a main source of international discontent, unrest, crisis and in the last resort are causes of wars ultimately endangering and devastating countries of high as well as low standards of living... (UN 1946: 275).

Thus the attainment of Western standards of living is presented as universally applicable, desirable, and necessary.

Another aspect of this can be explored by considering the role of the actors in the formulation and description of international development.

### **1.3. Which actors have been key in developing or promoting the orthodox approach?**

The principal policy actors are the major donors such as the governments of the USA and UK, the international institutions such as the World Bank, International Monetary Fund (IMF) and WTO. In addition, the recipient nations, such as India, both at a state and national level, and the others involved in the debate, such as the business

community, academics, relevant trade unions and civil society groups all may play a role in critiquing, accepting or modifying policy and discourse.

Actors significant at the coordinative stage (ie involved in policy generation) are generally business and government elites, although ideas may also come from academics, think tanks, or epistemic communities (Schmidt 2002: 233). Regardless of the source, the policy actors are key at this stage as they build coalitions and garner agreement.

## **The role of the US and the UK**

Truman's Address on the 20<sup>th</sup> January 1949, has been seen as the point at which international development emerged as a concept into the public domain (Sachs 1992). This of course has to be seen in context, being close to the end of the Second World War, as tension was gradually increasing between the USA and USSR. Nonetheless, US policy was to be key in shaping the nature of international development, as will be illustrated in the following sections.

Peace, freedom and prosperity were overarching themes. Truman said that Americans wanted "a just and lasting peace--based on genuine agreement freely arrived at by equals". Making open reference to the USSR and the "false philosophy [of] communism" (Truman 1949), he posed this against the American desire for "a world in which all nations and all peoples are free ... to achieve a decent and satisfying life" (ibid).

Truman (1949) outlined four major points of action. The first was to support and aid the UN in its work to foster cooperation and world peace. The second was to continue aiding European recovery via the Marshall Plan by "reducing the barriers to world trade and increasing its volume" and the third to strengthen "freedom-loving nations against the dangers of aggression" in particular the North Atlantic area. The President noted the threat posed by the fact that "[m]ore than half the people of the world" were "living in conditions approaching misery" which was "a handicap and a threat both to them and to more prosperous areas". The fourth point emphasised the role of the US which was to "embark on a bold new program for making the benefits of [its] scientific advances and industrial progress available for the improvement and growth of underdeveloped areas".

Development is characterized by Truman as a political necessity, which not only offers political security, but economic advancement for the US via increased trade. In addition, it offers the chance to help others attain the living standards of the US, and to allow them to make the most of American and Western technology. The themes of modernisation

and technological advance are strong, and the role of industry as a source of expertise and as trader is central.

Pre war, access to colonial territories was limited or prevented by colonial preference systems (Preston 1997: 156), but the US needed both markets for export and new sources of raw materials. The lend-lease agreement of March 1941 was based on the principle of the US providing the allies with goods and services (mostly military) in return for a guarantee that they participate in the construction of a multilateral trading system post war with principles similar to those of the Atlantic Treaty of August 1941 (Kindleberger 1993: 424). Once involved actively in the war, the US began to establish a series of economic war aims, overseen by the Department of State under Cordell Hull, who concluded that the future “centred on the pursuit of an open international trading system” (Preston 1997: 156). US Assistant Secretary of State Dean Acheson (cited in George and Sabelli 1994: 23-4) addressing Congress in 1944 said

no group which has studied this problem... has ever believed that our domestic markets could absorb our entire production under our present system... we need those markets [abroad] for the output of the United States ... we cannot have full employment and prosperity in the United States without the foreign markets.

Similarly, Congressman Charles P Taft (cited in George and Sabelli 1994: 24) observed at a government hearing in 1944 that

our metals are running out and so may our oil eventually... other essentials must come from abroad and in fifty years, like the British, we shall have to export to pay for the things we need for life.

The British acknowledged their own need for world trade. A Treasury memorandum of 1945 (cited in Clarke 1982: 109) notes that Britain needed to “ensure a rapid and non-autarkic economic growth in the middle and low income countries” to aid world trade. Britain “could usefully begin” where it was already influential, in

the Colonial Empire, the Middle East and India. In all these countries we have large debts and considerable administrative influence ... we should be able to exert a very great influence on the structure of that development (ibid: 110).

However, the UK government also assumed it possible to

develop a view which is genuinely and obviously in the interests of the undeveloped countries as well as in [Britain's] own and if we can build upon the batteries of advisers and experts which these countries need, the dividends to British trade can be very large indeed. This is, indeed a natural development from our nineteenth century position (ibid: 111).

The end of the lend-lease agreement in 1945 led to a dollar shortage and financial crisis in Britain (World Bank 2002f) while the need for raw materials (food and inputs for industry) was acute. The Minister of Food, John Strachey, stated that

by one means or another, by hook or by crook, the development of primary production of all sorts in the colonial area . . . is . . . a life and death matter for the economy of the country (Gupta 1975: 320).

Thus in the 1940s there was already a strong desire for global trade, actively pursued by the UK and US, which formed the basis for future policy development.

## **The role of industry**

IBM's founder Thomas J. Watson supported the discourse of peace through trade, placing a large sign on the company building in New York in 1939, which read "World Peace Through World Trade" (Peterson 2004). The strong focus on trade apparent in both the position of the US and UK, had important implications for the role of the private sector in global public policy, which directly affects the way in which economies are changed in order to fit the accepted paradigm of trade-led development. Trebilcock and Howse (1999: 4) note that

an unfortunate semantic legacy of Ricardo's demonstration of the gains from international trade, that has been perpetuated in the terminology of much subsequent literature and debate is that countries trade with each other. This is of course rarely the case.

As in purely domestic exchanges, private economic actors (albeit located in different countries) are trading. A 1952 memorandum written by Chancellor of the Exchequer Rab Butler (cited in Goldsworthy 1994: 34), similarly observed that British "export trade is in the hands of private enterprise: the Government does not export". The reliance on trade as the means to development therefore means that internationally trading businesses are central actors.

Corporate actors were involved from the early years in supplying technical advice and knowledge in aid or development projects. The UN Technical Assistance Programme arguably allowed the US to influence technical change and development, and also put them in a good position to direct corporate contracts towards US companies, anxious not to lose to foreign competitors (de Senarclens 1997: 194). In addition, post-1945, a variety of private actors started to play a greater role such as the Ford and Rockefeller Foundations. Today a greater role for private actors is favoured (World Bank 1981: 58) often the justification being that "[g]overnments for the most part now recognise the

private sector as the engine for economic development” (DFID 2000b: 29). Business itself claims developmental objectives; Vice Chair of the agricultural giant Cargill for instance stated that “agribusiness companies want to bring poverty-reducing tools to farmers in developing countries” (Raisbeck 2003).

The business community and its representatives are increasingly used as advisors on policy formation. For instance, the Business Council for Sustainable Development (BCSD) was founded when business leader Steven Schmidheiny was invited to act as advisor to Maurice Strong for the UN Commission on Sustainable Development in Rio. The 50 business representatives (including Enron (Bakan 2004)) impressed Schmidheiny with their “degree of interest ... in complex issues that have traditionally been ... the realm of government, aid agencies, and environmental groups” and their active participation in “the preparatory process of the UN conference” (Schmidheiny 1992: xix). Similarly, Kofi Annan has urged the formation of partnerships, such as the Global Compact, where companies have signed up to certain principles of practice (Bruno and Karliner 2002: 18-9). Maurice Strong considered that sustainable development would “require the full engagement and co-operation of business and industry as the primary agents for the conduct of economic affairs” (Strong 1993: 308).

Additionally, the global financial structure has enhanced the growth of the corporations themselves, as the “post-World War II public institutions created an atmosphere ideal for the growth and global spread of large private corporations” (Broad and Heckscher 2003: 717). The major international corporations have merged and increased in size, and therefore in financial and market power. Most are based in the North, South Korea being the only country apart from the established northern industrial countries in the 200 top companies listed in 1999 (Anderson and Cavanagh 2000). Thus as economic power in the private sector becomes more concentrated and the use of that power more effective, corporations are increasingly important global policy players.

## **The Chicago School**

In the early decades of international development, the state retained an important role, but with the rise of neoliberalism in the 1970s this changed. Neoliberalism, “a conception of freedom based on private power” (Thomas 2000: 13), stresses economic liberalisation, minimal state intervention and the privatisation of state enterprises. It has intellectual roots in the Chicago School, where Austrian economist Frederich von Hayek joined Milton Friedman in 1950. Hayek (1944: 23), fiercely opposed to state intervention, considered socialism and state control a form of fascism, believing it necessarily entailed

the removal of freedom. Hayek was a leading neo-classical thinker, and while neoclassical economics may not be synonymous with neoliberalism, there are important commonalities (Rapley 1996: 56). For instance, neoclassical economists believe that “free market economies enable individuals to pursue their self-interest to the benefit of society” (ibid: 56). The parallel in neoliberalism is the belief that state intervention should be minimised as the market will cater for the needs of the individual better than the state. Hayek's work had considerable impact on the emerging New Right, of which neoliberalism was an important ideological component (Heywood 1998: 48, 94).

Antony Fisher, a businessman committed to the free market, was keen to promote it in opposition to Keynesian economics. His mentor, Hayek, warned against “wasting time” on a political career and

[Hayek] explained his view that the decisive influence in the battle of ideas and policy was wielded by intellectuals whom he characterised as the 'second-hand dealers in ideas'. It was the dominant intellectuals from the Fabians onwards who had tilted the political debate in favour of growing government intervention with all that followed. If ... better ideas were not getting a fair hearing, his counsel was that I should join with others in forming a scholarly research organisation to supply intellectuals in universities, schools, journalism and broadcasting with authoritative studies of economic theory of markets and its application to practical affairs (Fisher cited in Blundell 2001a: 56-7).

Antony Fisher set up the IEA (Institute for Economic Affairs) in 1955 believing that those carrying on intellectual work must have a considerable impact through newspapers, radio, television and so on, on the thinking of the average individual. Socialism was spread in this way and it is time we started to reverse the process (Blundell 2001a: 57).

Fisher believed that this could be achieved via the IEA and its “100-plus sister bodies around the world” (Blundell 2001a: 61). It is presumably these to which Susan George refers, when she explains the spread of neoliberal thought as a result of massive funding (from the corporate community who stood to gain from opening markets) for think-tanks, research institutes, foundations and journals (George 2000: 28). George asserts that it was this aggressive promotion of what was previously an off-beat economic opinion held by a small group that turned neoliberalism into a universally accepted truth (George 2000: 29). Gradually the discourse of global economics was then taken up by the “bibles” of finance, the *Economist*, the *Financial Times*, *Wall Street Journal* and were in turn reproduced elsewhere (Ramonet 1997: 180).



Margaret Thatcher “and her colleagues were the beneficiaries of changes in economic thinking, coming from the Chicago School and the IEA” (Sir John Hoskyns cited in Blundell 2001b: 101). These changes led to the gradual replacement of Keynesian economics with that of neoliberalism. As neoliberal thinking came to dominate national policies, particularly in the US and the UK, it also emerged in the IFIs.

The broad acceptance of market-oriented development became known as the ‘Washington Consensus’, since many major actors were based in or linked with Washington, along with the highly influential US government departments (Broad and Cavanagh 2000: 84). The World Bank and IMF gradually became key players in global development. They and the General Agreement on Tariffs and Trade (GATT), which later gave rise to the WTO, encouraged or imposed the central consensus beliefs on the receivers of aid or loans for development. Neoliberalism is a term often applied to the broad raft of policies which seek to reduce the role of the state, increase economic liberalisation and rely on market policies. In some cases these are referred to as ‘PLG’ – privatisation, liberalisation and globalisation (Tulasidas 2005).

Gradually, pressure increased to follow the neoliberal path, enhanced by the collapse of the alternative economies in the old Soviet Union. The events of 1989 reinforced belief in neo-liberalism, and in liberal democracy as the only viable political form, and intensified the drive towards privatisation and liberalization. Francis Fukuyama (1999: 388) observed that “any reasonable person ... would be forced to agree that there had been only one journey and one destination” – in other words, no alternative.

John Major (cited in Curtis 1998: 31) amongst others noted that the UK and US were the “foremost in propounding a free trade agreement, the GATT”. The UK was later a leading architect in the formation of the WTO (Curtis 1998: 23), negotiated by GATT member states during the Uruguay Round. Although it met with considerable opposition, the Round eventually produced a stronger institutional structure than the allegedly “anaemic” GATT (Trebilcock and Howse 1999: 36). The WTO is now the principal institution with responsibility for multilateral trading and forms the third pillar of international economic order (Hoekman and Kostecki 1995: 51). Its main intention is trade liberalisation (Boas and McNeill 2003: 41) and operates a rules-based as opposed to results-based system (specifying quotas or prices) (Hoekman and Kostecki 1995: 24).

Development is not officially within its remit but the WTO claims that “freer trade boosts economic growth and supports development” (WTO 2002) and that “successful liberalisation of trade could boost the world economy by \$2.5 trillion and lift 320 million

people out of extreme poverty during [a] 13-year period”(Moore 2002a). However, to enjoy the benefits of WTO membership countries must meet certain conditions, meaning liberalisation in all forms, not only of trade, but also stock and financial markets, and paralleled by the privatisation of national industries and public services. This liberalisation has been underpinned by the lending policies of the IFIs who make these measures conditional on loans, and one of the goals of the WTO was to ensure greater cooperation and consistency between the three IFIs (Hoekman and Kostecky 1995: 52).

The multilateral economic institutions have increasingly taken a free-market focus, requiring borrowing countries to open up their economies to the world economy through liberalised trade and investment flows (Broad and Heckscher 2003: 718). Thus the stress on trade liberalisation as the means to development (or as development itself) has arguably led to a great increase in the influence of the private sector within international development.

#### **1.4. How is the orthodox approach presented as appropriate to particular situations or audiences?**

In the context of Truman's introduction of the concept of international development, the primary audience was the people of the USA in the 1950s who were going to be financing much of the early development strategy. The discourse had to assure the American public that international development would benefit them, so it appealed to the American pride in pursuing freedom and equality, in leadership, technology and expertise.

“Peace, plenty, and freedom” were central concepts (Truman 1949). Truman envisaged a “program of development based on the concepts of democratic fair-dealing”, believing that material gain would lead to the creation of democratic institutions (de Senarclens 1997: 194). In the 1940s and 1950s the view was that only by material advancement could social, cultural and political progress be possible (Escobar 1997: 86). Democracy was an essential counterweight to Soviet totalitarianism and Truman (1949) stresses this repeatedly in his inauguration speech:

the United States and other like-minded nations find themselves directly opposed by a regime with contrary aims and a totally different concept of life.

The USA was required to take leadership since

The peoples of the earth ... [i]n this time of doubt, ... look to the United States as never before for good will, strength, and wise leadership (Truman 1949).

It was appropriate that the USA accept this role, Truman explained why:

The United States is pre-eminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible. I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life (Truman 1949).

More broadly the Western model of modern living, particularly US living, in the post-war period was promoted as undeniably desirable and preferable. Traditional societies were defined by their lack of modernity and reluctance to abandon the old ways: "stagnant rural society" is difficult to transform (UN 1965: 75). In the section on the elements of the discourse above, it has also been illustrated how development itself was constructed as a positive phenomenon, with strong associations with modernisation and progress, both of which implicitly justify the orthodox approach to development. Post-1945 development was a pathway to peace and "economic recovery and peace itself depend on increased world trade" (Truman 1949). The linkage of peace with development and the open trading regime even led to the stage where an expression of trade pessimism was enough to put someone in the "subversive" category – a serious accusation during the time of Senator McCarthy. Similarly, advocating soft financing for developing countries indicated a desire to "weaken the Free World" (Singer 1984: 296). Thus the promotion of economic growth was an unavoidable political strategy for Western security under threat from communism.

In justifying a policy, the policy-makers will portray it as being in the interests of a community. For instance, the people of the US would have to pay for reconstruction funds for Europe and beyond. That cost was justified as being in their own interests, since it could guarantee peace and democracy to other lands and reduce the threat to them. The values of the citizens of the US, for instance of freedom, were similarly connected with the concept of development. Likewise, the US had advanced technology and suggested a moral obligation to share that technology and its attendant wealth generation with the poorer countries.

On the other hand, the actual policies of development, stressing the use of technology and trade, would seem to be more in the interests of the corporate actors, which is one of the major points of argument on the issue. Certainly, the early statements from the US suggest that they were then serving the interests of industry as they were concerned to ensure access to markets and raw material supplies. However that could also be argued

to be broadly in the interests of the American people as they would stand to benefit as employees or owners of the businesses concerned.

### **How was the policy communicated to the public and wider world?**

Truman's 1949 speech set the tone for the communication of development policies, which were then reproduced elsewhere by other political figures. However, the essence of the speech was discernible earlier, for instance, in Marshall's announcement of the European Aid Program (the Marshall Plan). US Secretary of State Marshall (1947) feared the "demoralising effect on the world at large" of the depressed conditions in post-war Europe and "the possibilities of disturbances arising as a result of the desperation of the people concerned". He therefore argued not only that international development was desirable but that it would have tangible benefits for the people of the US, and said that "the consequences to the economy of the United States" should have been "apparent to all" adding that it was "logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace". Whilst stressing that policy was "directed not against any country or doctrine but against hunger, poverty, desperation and chaos" it was also supposed to "permit the emergence of political and social conditions in which free institutions can exist" (Marshall 1947).

Thus the early years of international development was dominated by elite political statement. However, in later years, with a rise in issue-based political activism, in particular with a rise in international non-governmental organisations (INGOs) the debate has become more public (Patomäki and Teivainen 2004: 111-3). For instance, on the issue of World Bank policy,

The audience too, has changed. To an increasing extent, what the Bank says no longer takes the form of discreet conversation with a few experts and public officials but is treated as a public announcement and is listened to attentively by a congress of elected and self-appointed representatives of countries and groups around the world (Kapur et al 1997a: 53).

Governments and the IFIs have been forced into a more public justification of their policies, and there is active debate about the policies and the assumptions upon which they are based. This has apparently also led to an increase in the public-oriented information from the Bretton Woods institutions such as the *World Development Report* (WDR) from the World Bank, now published annually since 1978. (See also Broad and Heckscher 2003).

## 1.5. Summary

This chapter firstly examined the structure of the orthodox approach from the introduction of the concept of international development. This entailed an examination of the key elements of the discourse and their interrelationships. It has shown how orthodox development policy, particularly posed against backwardness and underdevelopment, effectively became a common sense approach, being both desirable and positive. The examination of the linked elements of poverty, growth and trade suggests that poverty (usually measured in income) will be reduced by economic growth (measured via GNP) which will be generated by increased trade. This equation forms the basis for the original orthodox approach to international development.

The interpretation of the component elements allows the construction of an argument assuming causal linkages between those elements and thus demonstrates the problem solving ability of the orthodox approach. The discourse frames the problem of poverty in the way that increased GNP is the solution which is attained by increased trade.

The actors most significant in framing the 'problem' of international development and poverty were those who emerged as power-brokers in the post-1945 era. The US was gaining economic and political dominance and with the aid of the UK it controlled the agenda at Bretton Woods and the resultant international financial architecture. With the increasing stress on trade, corporate actors became heavily involved in the business of development and the rise of neoliberalism has made businesses even more significant and powerful actors.

The promotion of trade was presumed to bring about economic interdependency which would reduce the risk of global conflict, but still allowed for the action of the state on behalf of its people. However, the Chicago School and the political actors who promoted its ideas intensified the drive to economic liberalisation in the latter decades of the twentieth century. The overall development-poverty-growth equation remained stable but liberalisation, based not simply on free trade but on a minimal state and implying broad economic liberalisation, became the means to achieve growth. Thus the current orthodoxy retains many features of the original and there is considerable consistency of ideas.

In considering how the approach was presented as appropriate, this chapter has touched upon an area which will be returned to in more detail in the final chapters of this work. Here the arguments used by Truman to present the approach (and the implied public

expenditure) as in the interests of the US people, and consistent with their beliefs and values were briefly examined. Truman presented his commitment to international development as a response to a need for peace. In the context of the post-war world and increasing tension between the East and West, the arguments for trade as a means to peace had resonance with the US people. Also appealing was the idea of using US technology and knowledge for the benefit of others – in keeping with the principals of the American dream of enabling all to fulfil their potential. However, this stress on trade and technical support also catered for the interests of a grouping with increasing power – business. It can be argued that the orthodox development approach really catered more for those needs than any other, and this will be a theme explored in the next chapter which deals with the criticisms and challenges to the orthodox approach to development.

### **Chapter three: What challenges and criticisms have there been to the orthodox approach to international development, and what has been their effect?**

This chapter will explore what Schmidt (2002: 231) would term the communicative stage of the interactive dimension of international development policy and discourse. This is in order to examine the criticisms made, their counter-arguments, effects and alternatives. As Hajer (2002) wrote, it is necessary to understand these in order to better understand the discourse itself. This chapter also begins to identify alternative pathways which may offer solutions both more appropriate to a particular community and better able to serve the interests of that community.

The application of Schmidt's approach here will consider the challenges to the orthodox approach to development, either in terms of arguments or criticisms which have been made, or evidence and crises which have raised doubts about its efficacy. This means firstly an examination of the broader communication of the orthodox approach and related policies, and how these were (and in many cases still are) criticised by recipient states, academics or NGOs, or challenged by external events. Many of these criticisms are related to the elements of the discourse as outlined in chapter two, and will be explored under those headings, for the sake of consistency. Frequently, the criticisms are based on evidence which disputes the success of the policy. This may indicate that the policy is failing, or that there is a disjuncture between policy and discourse. For instance, the problem-solving ability of the discourse might be called into question – but is this a matter of the policy simply not being fit for the purpose or exaggerated claims made for the policy? It may also be that the appropriateness of its application to the case in question is challenged, which may be because of external events which change the context of the policies, or raise doubts about the transferability of policies over time and space. Additionally, the effects of criticisms and crises will be explored, to assess the extent to which they forced a change in policy or approach, or in the presentation or explanation of policy.

The chapter will concentrate on two major issues. Firstly, the challenges to the orthodoxy and secondly, the nature and extent of their effects. In considering the challenges, the arguments, either about the discourse itself, or as to the evidence for the success of the approach, will be reviewed. In addition, the crises of an external nature will also be mentioned. Their effects, as far as possible, will be examined and presented, and the alternative approaches considered.

## 1. What challenges have there been to the orthodoxy?

There have been criticisms of the international development strategy since the earliest years, which with growing political activism in the 1960s and 1970s became more public. The recent high profile international public opposition to the IFI policies (such as at Seattle) shows that the debates over the effects of the policies and the legitimacy of the discourse (or the logic of the arguments used in policy defence) are still very much alive. The Seattle protests highlighted growing disagreement over the direction and nature of international development, calling into question the policies, institutions and political actors which drive it. Many of their arguments and objections were not new, but were uniquely brought to the attention of the wider public. The protestors and many developing nations questioned the role of trade liberalisation, the fairness of the international trading system and the sustainability of the resulting development. They were also protesting at the increasing inequalities between and within countries. The protests underlined a growing concern that the chosen pathway was wrong.

In the early years of contemporary development discourse, the criticisms came from academics such as Cardoso, Amir and Wallerstein, who put forward various theories about the structural impediments to trade and development, swapping the notion of underdevelopment for dependency. Central to the argument was the idea that external factors prevented the countries of the South from developing. Therefore, rather than being excluded from the global economy, the South already played an integral role within it. This criticism also came from politicians representing the South, for instance in an early UN (1951b: 34) debate, Indian delegate Mr Nariewala observed that

there was ... room for the fear that the only object of the development programmes was to endow the underdeveloped countries with the means of producing the raw materials necessary to feed the industries of the advanced countries... .

Later, with the increase of political activism there was more of a public debate which became more intense, for instance with the publication of the United Nations Children's Fund (UNICEF) report *Development with a Human Face* (Cornia et al 1987). This report heavily criticised the conditionality requirements of the IFIs as exemplified by the structural adjustment programmes (SAPs). Today criticism continues from activists, academics and groups globally, and government representatives from the South. This has been facilitated by an increasing number of international alliances which have facilitated information flows and joint initiatives.



The challenges to orthodox development will be considered below, under the headings of development, poverty, growth and liberalisation respectively.

## 1.1. Development

As said in Chapter Two, the notion of development is associated with progress. The model of the US economy is promoted as the norm, against the alternative 'underdeveloped areas' where

people ... are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap...(Truman 1949)

This implicit promotion of Western values was criticised as a form of imperialism and consistent with colonial attitudes. Far from being grounded in objective science leading to rational, value-free decisions and recommendations which were uninfluenced by political interests (Shiva 1997: 161-2), it was very much a promotion of a particular political and cultural model. Development was "for the most part - a top-down, ethnocentric and technocratic approach" (Escobar 1997: 91) in which those in political and economic power imposed a way of thinking and living on the poor.

Modernisation theory, which assumed a linear development to the developed state, implied that all countries would be able to attain US levels of affluence. Its main exponents were close to the US government and it became strongly allied with US foreign policy (Leys 1996: 10-1). However, even in the 1950s there was uncertainty that uniform levels of production and income were possible. This was noted in the minutes of a UN meeting indicate, which stated that those present

certainly [did] not hold the view that all countries are capable of reaching the same level of per capita production; differences in the resources of different countries are a real factor in differences of per capita income (UN 1951b: 4-5).

Others agreed that all countries would not develop to the same level, but blamed power relationships within the international political economy which prevented poorer countries from developing. These 'dependency theorists' described the relationship between the North and South as one where development in some countries required underdevelopment in others. The poorer countries were a source of raw materials for the industries of the rich, and the system was maintained by the policy makers of the North working in cooperation with the ruling elites of the South. The implications of this were that development was a doomed strategy since "what is decisive is that economic

development in underdeveloped countries is profoundly inimical to the dominant interests in the advanced capitalist countries” (Baran 1957: 28).

Baran's work on dependency was followed by others, such as by Andre Gunder Frank and Samir Amin. Immanuel Wallerstein took this a step further in his World Systems theory which specified the industrialised core of the international political economy, outside which was the semi-periphery where a degree of development was possible, and beyond that a periphery which could never significantly develop (see Valenzuela and Valenzuela 1993; Wallerstein 1993). The dependency theorists considered underdevelopment as a condition generated by the relationship between states, and which was better described as dependence. The reasons for underdevelopment were therefore not internal, being the fault of backward and traditional societies, but were external, being a result of the structure of the international political economy. This fundamentally questioned the policies and pathways for development.

## **1.2. Poverty: relative and absolute**

There are many complex arguments about the definition and assessment of poverty, disputing the underlying assumptions. Firstly, there is criticism of the method of poverty calculation and of the validity of poverty comparisons over time and space. Secondly, there is a dispute over the adequacy or appropriateness of a purely or predominantly economic measure.

The nature of poverty is complicated by activities outside the monetary economy which do not count, many people "do not actually receive any wages, salaries or other monetary income at all; or only a part of their income is in the form of money " (UN 1952:129). This raises doubts over the meaningfulness of an income only measure of poverty. Amartya Sen for instance produced a complex definition, which takes into account social measures and issues such as capabilities and contentment (McCulloch et al 2001: 38). Alternatively, the Human Development Index (HDI) developed by the United Nations Development Programme (UNDP) "measures achievements in terms of life expectancy, educational attainment and adjusted real income" (UNDP 2003c). The HDI is intended to re-emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth (UNDP 2003a). UNDP admits that the HDI is not comprehensive since it "does not reflect political participation or gender inequalities" and offers only "a broad proxy on the issues of human development, gender disparity, and human poverty" (UNDP 2003a). In addition,

comparing straightforward income poverty (although not without problem) is relatively easy, whereas Sen's definition, or the fuller analysis referred to by UNDP (UNDP 2003a) would be complex and difficult to use, particularly for comparison between countries (McCulloch et al 2001: 38,43).

Still, poverty is commonly measured on income, but this also has shortcomings, admitted in an early UN (1952: 129) report which noted that although

wages are ... considered a significant indication of standards of living of different wage-earners within a country at a given time ... they do not take account of changes in prices of goods

making changes over time difficult to measure. There are other problems of international comparison, since even an index which reflects the purchasing power of a particular group of earners with a day or week's wages will overlook local cultural differences and different demands and tastes. Recent research is particularly critical of World Bank poverty calculations, accusing them of being over-simple and unrepresentative – not properly reflecting varying incomes and local food costs across the globe (Reddy and Pogge 2002).

The dollar-a-day line is an absolute measure of poverty, as is a line marking off the poorest 20 per cent of the population, but both are divorced from needs. A better measure of economic poverty might result from the calculation of a minimum income to meet basic needs – which would almost certainly define a rather different poverty line. However, the appeal of the dollar a day measure is that it can be used internationally, as could the poorest 20% approach. Even so, there are still problems in using an international poverty line – for instance it cannot fully account for differences in costs. In addition, researchers have shown that when national poverty lines are used (which more usually take into account the cost of living in that country) the numbers of poor are on average 14% higher (Weller and Hersh 2002a).

Clearly, conclusions about poverty are determined by the concept of poverty being used and by its application, which may vary with country, within institution and amongst researchers (McCulloch et al 2001: 43-4). Economist Robert Wade suggests that the World Bank uses data selectively to support its own agenda and that "[t]here are different methods for determining global poverty and inequality and the answers you get depend on the techniques you use " (Wade cited in Bygrave 2002). The variations of calculation and assumptions made should at the least prevent conclusive statements being presented as absolute truths and rather urge caution in calculating or using poverty measures (McCulloch et al 2001: 38).

## Increasing poverty and inequality

There are intellectual reasons to dispute the use and calculation of poverty, but there is also evidence which questions the relevance of the orthodox approach to poverty reduction, either indicating increased absolute poverty or the worsening of related indicators, or deepening inequality.

For instance,

[a]lthough the proportion of people living in extreme poverty fell, according to the World Bank – from 28 per cent in 1987 to 23 per cent in 1998 – the absolute numbers were larger: in 1998 1.2 billion people lived on less than a dollar a day, 2.8 billion on less than two dollars (Panos Institute 2002: 8).

Similarly, the *Human Development Report* (UNDP 2003d: 2) notes that “For many countries the 1990s were a decade of despair” because

[s]ome 54 countries are poorer now than in 1990. In 21 of these a larger proportion of people is going hungry. In 14, more children are dying before age five. In 12, primary school enrolments are shrinking. In 34, life expectancy has fallen. Such reversals in survival were previously rare.

This is of particular concern, since these worsening trends did not appear until the late 1980s, and those features measured within the HDI should not be easily lost by a population (UNDP 2003d; see also Healey and Killick 2000).

Thus, by orthodox standards, and a range of other indicators, it would seem that absolute poverty is increasing. There are further arguments about relative poverty and whether inequalities are increasing within and between nations, and whether or not it matters (Oxfam 2002: 136). The key concern is that the orthodox approach to economic growth does not seem to benefit the poor, and the gap between the rich and poor increases. The proponents of liberalisation-led development do not deny inequality, but deny that there is a link between the orthodox policies and increasing inequality.

The logic of the argument that economic growth does not increase inequality is questionable. Poorest groups, having a smaller share of income would presumably receive a proportional share of any growth, and most likely will benefit from only a relatively small increase, and existing inequalities will be exaggerated (Oxfam 2002: 136). For instance, Oxfam (2002: 134) suggests that without any redistributive measures, the estimated income gain for the richest twenty per cent would be five times higher than for the poorest twenty per cent in India.

However, World Bank economist David Dollar (cited in IMF 2002) asserts that inequality is of no real concern in the South since

in some cases income distribution has shifted in favor [sic] of the poor. In some cases, inequality has gone up. In all of them, there's a pretty tight link between growth and poverty reduction, so the poor have clearly benefited from the growth that's going on in these countries.

Dollar continues that it "is just simply not true" that that global economic integration is increasing inequality, since in the 1990s inequality in some countries increased but in others it decreased.

Of even more concern are suggestions that the poor are excluded from any gains from liberalisation, or that their position may be worsened. For instance, microeconomic studies (various reproduced in Madeley 2000a) show it to be repeatedly the case that the poor, with trade-led growth, are often pushed deeper into poverty. Imports of milk products into South America has caused the bankruptcy of many small milk producers in Uruguay (Madeley 2001: 34), and in the Philippines, small sugar producers have been pushed out of production by cheap imports (Madeley 2000a: 16). Even so the DFID seem to agree with David Dollar when they say that

... the suggestion that economic growth systematically makes poor people relatively worse off by widening inequalities is not supported by the evidence. In recent decades, economic growth has on average been as likely to reduce income inequality as increase it (DFID 2000a: 16).

Martin Wolf of the Financial Times believes that inequality has decreased over the last twenty to thirty years (Wolf 2002), although the evidence he uses is dismissed (also by some World Bank researchers) as unrepresentative (Lundberg and Milanovic 2000). The World Bank also published *The Simultaneous Evolution of Growth and Inequality* (Lundberg and Squire 1999), which finds that greater trade liberalisation correlates "strongly and positively" with income growth in the top sixty per cent of the population, but correlates "negatively" with income growth among the poorest forty per cent. Concluding that at least in the short term, "globalisation appears to increase both poverty and inequality" (Lundberg and Squire 1999). This may be because liberalisation brings rapid structural change, often leading to the deterioration of working conditions, living standards and a decline in wages. With firms sourcing production and supply globally there is a tendency towards competition to supply the cheapest labour source and thereby win foreign investment. This can also have a downward effect on wages as inequality rises, and this is a feature of economies in both the North and South (Weller and Hersh 2002a).

The dispute is not only over whether or not poverty and inequality measures are improving or worsening, but also why. The orthodox community try to prove the problem solving nature, and the suitability for different situations, of a policy, or the discourse which represents it. On the other hand, critics have argued against its problem solving ability, which is that the policy can actually achieve what the discourse argues it will, or that a policy is locally relevant, thus highlighting failures and lack of logic. The central argument is that economic growth reduces poverty and the critiques of this will be explored next.

### **1.3. Growth and GNP**

There are particular problems associated with the calculation of GNP and its comparability, which relate to the presentation of growth as the prerequisite for poverty reduction, and its relationship with trade liberalisation.

It has been observed that the adoption of GNP growth as both the objective and yardstick [of development] was directly related to the conceptual state of the art in the 1950s (Thorbecke 2000: 20).

Even some of the original proponents of GNP noted that whilst it was a useful measure of temporal change in a country, it was rather more limited as a means of geographical comparison (Stone and Stone 1964: 89). This is because relative values of products vary, inputs vary and available information varies (Stone and Stone 1964: 89). In addition, GNP only includes activities with monetary value, so that tasks carried out within the home such as cooking are excluded, as are subsistence farming and natural assets which are not being commercially exploited (Stone and Stone 1964: 89, 42). This also means that activities (such as food cultivation on a commune in China) may be absorbed into a market economy and overnight become GNP-relevant, making productivity figures appear to have increased, while the economic activity is actually the same (Raghavan 2000).

Secondly, there is considerable variation in GNP calculation, thus resulting in a different definition of national income. The USSR for instance limited their calculation to industrial production and associated services, excluding health and education. Moreover, for some poorer countries only very fragmentary information exists (UN 1952: 129). This is as true now as it was in 1952. The selection of “elastic and arbitrary indicators” for the calculation of GNP led the economist Dudley Seers to wager “\$10,000 that he could use the same set of national accounts to come up with many different economic growth rates,

all of which would pass muster with the experts" (Seers cited in *New Internationalist* 1992).

Thirdly, GNP is an average figure, so it masks disparities (or inequalities) within the population (UN 1952: 130). Gunnar Myrdal wrote that he had "always felt skeptical [sic] about the reliability of the figures on economic growth in underdeveloped countries that are widely quoted in the literature" (Myrdal 1984: 159). This was based on his view of how the primary material for these statistics of average real income per head is collected, then summarized into an average figure for an underdeveloped country, afterwards translated into dollars according to a nominal exchange rate, and published by the United Nations Statistical Office (Myrdal 1984: 159).

His concerns led him to conclude that the figures can certainly not "understate" what has happened - implying that they are far more likely to overstate any growth (Myrdal 1984: 159).

## **Growth and openness**

Despite the demonstrated imperfections of GNP as a measure of growth, it is commonly used to indicate trends which are relied upon to support policies such as trade liberalisation. For example, Dollar and Kraay (2001) in their report *Trade, Growth and Poverty* have sought to prove that liberalisation and openness has led to economic growth.

Firstly, Dollar and Kraay (2001: 7-10) tried to identify countries that had significantly opened to world trade since 1980 and to compare their openness with growth rates. They concluded that there are countries which prove that trade liberalisation correlates with increased growth. The need to prove this link between openness and growth is central to supporting the case for trade liberalisation, however, critics say that "measuring openness to trade is complex and controversial" (McCulloch et al 2001: 10).

Melamed (2002) notes that there is confusion throughout the literature on how trade policy is assessed. For instance Dollar and Kraay in *Growth is Good for the Poor*, assume increased trade volume is indicative of increased openness. Dollar also considered speed of change in policy rather than actual policy measures. Melamed concludes that the most reliable studies should look at case studies and actual trade policies – as Rodrik usually does (Melamed 2002). Rodrik confirms this, stating that trade share is in fact an outcome, not a policy variable, and that it is necessary to have a link from policy, to trade openness and then growth (Rodrik 2002). He also criticizes the

“conceptual muddle” created by Dollar and Kraay when they try to combine trade volume with tariff reduction, as this assumes a relationship between the two which is in fact the point that they are trying to prove (Rodrik 2002).

It could be said that the World Bank's calculations show that faster growing economies tend to increase the proportion of their economies devoted to trade (Weisbrot 2002a), but there is no proof of a causal relationship, simply a positive correlation. Perhaps the only safe conclusion is that countries tend to become more open as they become richer (Oxfam 2002: 130).

In addition, growth may have increased with openness in the past, but recent experience suggests otherwise. Since the early 1980s Southern countries have been encouraged, or forced, to implement trade liberalisation measures. However, between 1960 and 1980, income per head in Africa grew by a third and since 1980 it has fallen by a quarter. In Latin America, average incomes grew by 73 per cent in the 1960-80 period; since 1980 they have grown by less than 6 per cent (Madeley 2000b). Economist Mark Weisbrot (2002b), quotes similar figures, leading him to conclude that the global record of growth for the last two decades is “appalling”. Growth has also slowed in the North but less markedly - from 3.2% to 2.2% - meaning a growing income gap between the rich and the poor nations (Chang 2002a). Dollar and Kraay (2001) found that growth increased with trade, but they were looking at the relationship between trade and growth in the 1970s and 1980s, whereas most liberalisation took place in the 1990s (Oxfam 2000). Rodrik agrees, and in addition argues that Dollar and Kraay overlook significant timelines and therefore the fact that India and China started reducing tariffs after economic growth had significantly increased. Furthermore, Rodrik (by exactly applying Dollar and Kraay's criteria of tariff reduction and trade increase) finds a different list of countries, whose growth rates show a gradual decline since 1980. Results are not much better if only tariff reduction is used as the selection criterion, and growth rates remain under 3%. He concludes that putting India and China in the “new globalizer” category is the result of arbitrary choice (Rodrik 2002).

Thus, the critics of the neo-liberal consensus ask difficult questions of the evidence put forward to prove that trade liberalisation aids growth. From their evidence it seems quite possible that with current growth rates, neo-liberal trade policies will have so little long-term impact on the incomes of the poorest groups that they may be less than is needed to even meet the MDGs (Green and Melamed 2000). Some go so far as to say that “the plain fact is that the neo-liberal policy reforms have not been able to deliver their central promise - namely economic growth” (Chang 2002b: 128).



## 1.4. Liberalisation

As can be seen above, there is considerable dispute over the assumption that trade liberalisation actually aids economic growth. Additionally, critics claim that where there has been growth, such as in China, the unevenness of impact is ignored, (Weisbrot et al 2001) which again ignores "how or even whether or not poor people can benefit from the rise in export" (Chomthongdi 2002). A 1997 UN Conference on Trade and Development (UNCTAD) report found that trade liberalisation in Latin America led to widening wage gaps, decreasing real wages for unskilled workers (often more than ninety percent of the labour force in developing countries), and rising unemployment (Weller and Hersh 2002a). Stiglitz (2002), commenting on the poor performance of IFI policies observed that "[t]rade liberalisation, rather than moving workers from low-productivity jobs to high-productivity ones, moves them from low-productivity jobs to unemployment. Rather than enhanced growth, the effect is increased poverty".

Smaller-scale labour intensive technology is more likely to benefit the poor, rather than large-scale capital-intensive development. If the objective of a project is to make tradable goods available, those with purchasing power will benefit, which is not to say that all aid should avoid tradable products or capital intensive development, but clearly any poverty focused projects must take that into account (Morrissey et al 1992: 25). An Oxfam study supports this, noting that growth in areas where the poor are well-represented (i.e. labour-intensive industries and agriculture) means rapid poverty reduction is more likely. The opposite is true if growth is in industrial agriculture or capital-intensive manufacturing. Countries such as Uganda and Vietnam achieved broad-based growth in the early 1990s based on smallholder agriculture. The ratio of the increase in per capita income to the decline in the incidence of poverty was close to 1:1 for both countries. In contrast, India and other countries such as Peru, the ratio was around 1:0.25, and here the rural poor in particular appear to have been excluded from the benefits of growth (Oxfam 2002: 135).

The exclusion of the poorest is considered by some to be an ongoing problem, and one which threatens the very stability that early proponents of the discourse envisaged. If global inequality is worsening, and rapidly... [t]he question is how much more unequal world income distribution can become before the resulting political instabilities, migration flows and social disruption reach the point of harming the rich world enough to move it to action? (Wade 2001: 28).

The Bank (2002b: 2) noted that the average income in the richest twenty countries was 37 times greater than in the poorest twenty. This ratio doubled over forty years, mainly

because of lack of growth in the poorest countries. Even the U.S. Central Intelligence Agency (CIA 2002) agrees that globalisation brings massive inequalities, and that the benefits do not reach the poor, noting that this could lead to global protest, chaos and unrest as the majority of the poor are “made more vulnerable to food insecurity” (Madeley 2000a). A report by Kenya's Institute of Policy Analysis and Research concludes: “Liberalized trade, including WTO trade agreements, benefits only the rich. The majority of the poor are instead made more vulnerable to food insecurity” (Madeley 2000a). Furthermore, “the difficulties of peaceful coexistence between nations that are poles apart on the income-scale are appreciated even by those who reject the Marxist categories of social and historical analysis” (Bhagwati 1966: 36).

## **Unfair trade**

Another criticism levelled against the industrialised countries is that of maintaining terms of trade which favour themselves, but not the South. From earliest times, British colonial policies are said to have encouraged primary production and export in order to stifle industrial development in those countries (including the US of the eighteenth century). For instance, by discouraging the import of certain products via import tariffs Britain effectively prevented the production of them, whilst encouraging needed imports of foodstuffs promoted agriculture abroad (Chang 2002b : 51-4). Colonial companies exported commodities such as cocoa or tea in their raw state back to Britain. Here they were processed and marketed by the same company. This meant any added value benefited the company (rather than the producer), and the colonial power erected barriers to prevent competition (Robbins 2003a: 26). The following trend was for the terms of trade for Britain to steadily improve, as prices for imported commodities fell relative to processed and manufactured exports (Morris 1968: 108). Additionally, commodity prices were fixed so that Britain paid below market rates for them – then as now this caused debate inside and outside Government. The Colonial Office requested that market rates be paid, but were opposed by the Treasury. On the other hand, the colonies were expected to pay market prices for expensive imports – even though the Colonial Office accepted that exploitation was occurring if there were trade arrangements that did not “constitute a good business deal” for the colonies (1947 Government memorandum cited in Curtis 1998: 74). British merchants within the Empire still had massive advantage since “almost everywhere officialdom tended to favour the British businessman over his foreign competitor” and in certain “parts of the Empire ... British exporters and importers enjoyed a virtual monopoly” (Morris 1968: 107).

The disadvantages to the colonies of the historical trading pattern were acknowledged. A UN report (1951a 71-3) raised the problems of commodity prices and terms of trade – both themes that are still very much part of the current trade debate. Even then, there was an awareness of the disadvantages of reliance on commodity exports in the world market. These included the relatively high volume of exports to national income in many under-developed countries (i.e. around twenty percent); the vulnerability to cyclical fluctuations in the prices of commodities; and difference in the value of manufactured goods and imports as compared with commodities and the fact that commodities have been subject to massive price drops.

In addition, the unequal impact of trade rules has remained contentious, and rules negotiated within the WTO are claimed to prioritise the interests of the industrialised countries and their major corporations (Khor 2001: 23). Northern subsidies, for instance for agriculture, are massive. The U.S. provides \$54 billion to its farmers every year, and the total EU production support was \$114.5 billion in 1999 (Sharma 2002), leaving “poor countries to compete with highly subsidized American and European agriculture” (Stiglitz 2002). However, commodity prices, of enormous concern to the South, are not dealt with by the WTO (Khor 2001: 51) and therefore not subject to liberalisation. This has led to calls for increased Northern market access for the South.

Oxfam (2002) published a report *Rigged Rules and Double Standards* in which the central demand was open access to Northern markets for the South. As Michael Moore (2002a), former Director General of the WTO points out, the reduction of farm subsidies, the elimination of tariff peaks, and the elimination of duties and quotas on products from the least developed countries - are all on the Doha Agenda agreed at the Doha WTO meeting in November 2001. Northern subsidy removal is something that the Cairns Group (2001) supports, as do many OECD economists (IEEP 2002) including free trade academic Jagdish Bhagwati. Bhagwati (2002a) sees no problem with the removal of all subsidies to agriculture in the North, making the point that as they mostly go to rich farmers, removal would therefore not disadvantage low-paid unskilled workers. Whatever, the removal of trade distortions in this sector seems to be something that is perhaps inevitable and that the WTO is simply slow in acting (Bello 2002a).

The unequal effects of trade rules are thought to be the result of the major trading nations having a disproportionate effect on decisions and policies, particularly at the WTO. A lack of transparency in the latter's decision-making means developing country members are often excluded from key discussions (Khor 2001: 97-100). Even at the Doha meeting the decision-making process remained undemocratic and exclusive and

saw “arm-twisting, blackmail and intimidation from the global trading powers” (Bello and Mittal 2001). This is exacerbated by the fact that developing countries often have smaller delegations, and lack expert advice or simply numbers to cover every issue and attend every meeting.

Not only does this lead to the ability of the major trading nations to limit market access, but it also forces stricter conditions on the weaker nations. “The worst situation is in the countries that are acceding to the WTO ... [s]ome countries are asked to make many more commitments than existing members are. They’re being pushed to liberalize to the maximum” (UNCTAD official cited in Ransom 2001). This implies high costs and vast workloads for the developing countries for instance, to comply with the TRIPs (trade related aspects of intellectual property rights) measures (Rodrik 2001: 26). Developing countries have called continually for concessions on implementation and timing. Although development issues have been incorporated into the Doha declaration, the agenda is so full that in the three short years available in this round of negotiations, the WTO may not even have time to discuss the topics that the South has raised. In addition some of them are not even within the remit of the WTO – such as sustainability or debt cancellation (Monbiot 2001).

### **Lack of democratic control over policy**

As noted before, the trade orientation of global development puts the role of business centre stage. The last 20 years has seen an increasing tendency for the business sector to have an overt role in international agreements and policies, and is “increasingly moulding societal values and norms, and defining public policy and practice, as well as being the dominant route through which economic and financial wealth is created” (Zadek 2001: 1). Concern that development policy primarily serves the interests of business itself, rather than those of the poor or the environment, has made the “role of business in society is the 21st century's most important and contentious public policy issue” (ibid: 1). That concern, coupled with dissatisfaction regarding a lack of regulation over business activities and an absence of democratic control, led to protests such as those in Seattle in 1999 and the consequent negotiation of the Doha Agenda of the WTO.

The argument over the role of industry versus the role of government is obviously one that has parallels in the fundamental questions of modern politics. This is not simply a question of communism or even social democracy and a controlled economy versus the liberal free market, but a far more complex web of connected issues. For instance, how

free can or should the market be? To what extent can or should governments intervene? What constitutes economic protectionism, as opposed to ensuring environmental standards or public health? Who is or should be driving policy? It has been said that corporate globalisation has led to a system of governance which favours "commercialism, corporate rights, and "free trade" above environment, human rights, worker rights, human health and justice" (Bruno and Karliner 2002: 7) and changes within the WTO and NAFTA have increased corporate access to resources. The WTO has thus become the most powerful intergovernmental organisation in the world - vastly more so than the UN, (Bruno and Karliner 2002: 8). A further criticism is that this represents the commodification of all aspects of life, so that even essentials are only accessible with sufficient money. The on-going globalisation and commodification of agriculture has meant increasing corporate control of the world food system (Neale 1999: 114).

### **Criticisms of liberalisation as universal policy**

Trade liberalisation is actively promoted by the current development consensus, but it is a matter of argument as to whether it is appropriate for all countries at all stages of economic development.

Chang (2002b: 16-9) puts forward evidence to suggest that protection has historically been strategically used to protect nascent industry. He asserts that Britain is often thought to have developed without state intervention - but that history suggests otherwise. For instance, the English woollen and textile industries were protected from foreign competition as early as the fourteenth century, cited as a reason for the collapse of the textile industry in the Low Countries in Tudor times. The Corn Laws of 1815 prevented the import of foreign wheat unless prices rose beyond a certain level. This maintained prices for domestic wheat producers and merchants, (although it made bread too expensive for the poor). However, a series of meagre harvests resulted in a repeal of the laws in 1846. Greeted by Richard Cobden and other free trade enthusiasts as a victory of classical liberal economic doctrine, Chang (2002a: 20-3) interprets this as a means to encourage agriculture elsewhere in Europe, thus reducing the likelihood of industrial growth to compete with British industries. Whatever the motivation, the repeal of the Corn Laws marked the beginning of a period of 'real' free trade with Britain at the centre, often referred to as the 'golden age of free trade' (ibid: 61).

The role of protectionism in the US is also generally denied - although there were still high tariffs at the end of nineteenth century. Following independence, agriculturalists in

the southern states resisted tariffs which the northern industrialists demanded, and Lincoln's approach was highly protectionist (Chang 2002a: 25-7, 61). Some have gone so far as to say that the USA was the "mother country and bastion of modern protectionism" (Bairoch cited in Chang 2002a: 24). US President Ulysses Grant (cited in Robbins 2003: 33) said "within 200 years, when America has gotten out of protectionism all it can offer, it too will adopt free trade".

After the war of 1914-18 there was a marked turn towards protectionism, which arguably worsened in the Depression years. The US has been accused of aggravating the situation with the Smoot-Hawley tariff, which pushed import duties to an average of sixty percent and provoked similar moves in its trading partners, stifling international trade (Trebilcock and Howse 1999: 20). This caused considerable pain to the US economy, leading Roosevelt to warn Churchill in 1941 that free trade was needed to prevent another world war, adding that trading agreements such as those between Europe and the colonies were undesirable and were the reason for the "backwardness" of many countries (George and Sabelli 1994: 23).

The Marshall Plan marked the turn back to liberalisation (Wolf 2003: 398), although for the next 25 years or so there remained a focus on the state as important in ensuring welfare and domestic employment (Spero 1982: 24). Curtis however, suggests that rather than seeking a true global free market, both the US and UK wanted new markets to serve their own interests and control the movement of capital and investment (Curtis 1998: 68).

So it can be argued that historical development of the economies of the US and UK was not the result of liberalisation but rather of the selective application of liberalisation or protectionist policies. The expectation that countries of the South should liberalise is therefore open to challenge. This challenge is strengthened by the suggestion that the less industrialized countries of the South are at far more of a disadvantage than the 'catch up' countries of 150 years ago. Chang (2002a: 65-8) for instance argues that the US instituted protective measures at a time when it was not very far behind the most developed nation, and that the gap between the industrially advanced and the non-industrial is today much greater.

This raises questions about whether or not the assumptions made about the role of free trade are correct, and when or how economies might benefit from protection or liberalisation. Currently, the assumption seems to be that trade liberalisation will lead to development, or that it actually constitutes development, rather than economic

development being a prerequisite for successful international trade. History suggests that the industrialised countries perceived the latter to be the case and used protective measures even when their industries were at far less risk of competition than industries in the South today. However, the strength of belief in liberalisation since 1980 has meant that critics of liberalisation, or those who propose protection as an alternative, are often interpreted as “choking the only route out of poverty for the world's poor” (Mander and Barker 2002).

The Asian Crisis of 1997 raised major doubts about the suitability of universal liberalisation policies. The ‘Tiger’ economies were hailed as proof that neo-liberal development worked –having grown substantially over 30 years or so. But the spectacular failure of the markets in South East Asia shook the neo-liberal community. The capital markets had been liberalised in order to allow foreign investment, and were heavily reliant on foreign capital. In mid-1997 a loss of confidence in the markets in the region prompted a flight of foreign capital (particularly short term), first from Thailand, then Korea and then elsewhere. The situation was worsened by speculators who drove down the value of the local currencies even further. The crash provoked fierce debate inside and outside the consensus. Broad and Cavanagh (2000: 88-9) identify two elite insider groups - one supporting freedom of trade but not of short-term capital, suggested capital controls under certain circumstances. The second group went further, calling for revision of the IMF’s standard formula for economic reform.

One of the most vocal insider dissenters has been Joseph Stiglitz. Stiglitz proposed the need for a post -Washington Consensus which had a broader focus, with more reliance on instruments (Mosley 2001: 309). He observes that

countries that have managed globalisation on their own, such as those in East Asia, have, by and large, ensured that they reaped huge benefits and that those benefits were equitably shared; they were able substantially to control the terms on which they engaged with the global economy. By contrast, the countries that have, by and large, had globalisation managed for them by the International Monetary Fund and other international economic institutions have not done so well. The problem is thus not with globalisation but with how it has been managed. The international financial institutions have pushed a particular ideology--market fundamentalism--that is both bad economics and bad politics; it is based on premises concerning how markets work that do not hold even for developed countries, much less for developing countries. The IMF has pushed these economics policies without a broader vision of society or the role of

economics within society. And it has pushed these policies in ways that have undermined emerging democracies (Stiglitz 2002).

Stiglitz supports a degree of regulation, particularly in financial markets:

In East Asia, government took an active role in managing the economy. ... Financial markets were highly regulated. ... research shows that those regulations promoted growth. It was only when these countries stripped away the regulations, under pressure from the U.S. Treasury and the IMF, that they encountered problems (Stiglitz 2002).

Calls for capital controls have also come from governments (including many in Europe) and Hong Kong and Malaysia have already taken unilateral action to protect their own economies (Broad and Cavanagh 2000: 90-1).

## **2. What has been the effect of challenge and crisis?**

### **2.1. Have there been demonstrable changes in policy or discourse?**

#### **Post Washington consensus**

There have been changes in recent years in IFI and international development policy or discourse, which could be attributed to the various challenges.

To reduce by half, between 1990 and 2015, the proportion of people living on below \$1 (PPP) per day.

To reduce by half, between 1990 and 2015, the proportion of people below the minimum level of dietary energy consumption.

**Figure 5. MDGs related to poverty (UN Statistical Division 2004)**

For instance, the international community has effectively admitted the shortcomings of development policies thus far by setting joint goals such as the Millennium Development Goals (MDGs) on hunger and poverty (see figure 5). The 189 member states of the UN pledged to meet the MDGs, by 2015.



This includes the reduction by half of those suffering from hunger (which the World Bank (2004: 12) has termed hunger-poverty, and those living on less than a dollar a day, and the integration of sustainable policies into all areas of development (UN 2000). However, it is significant that the goal for hunger reduction by half is simply a restatement of the Food and Agriculture Organisation (FAO) World Food Summit goal from 1996, which was itself weaker than the previous goal of 1976 to eradicate hunger. This in itself suggests that strategies have been inadequate (Halweil 2002: 57).

There has been a change in the discourse as applied to poverty, with an acceptance that poverty is complex. The World Bank for instance has commissioned work such as *Voices of the Poor* (Narayan et al 2000) which documents poverty and its interpretation by people from a range of cultural backgrounds. This represents a desire of the IFIs to be seen to have country specific, poverty-reducing strategies.

For instance, the IMF (2001) announced the Poverty Reduction and Growth Facility (PRGF) with “[n]ationally-owned poverty reduction strategies” at its heart. This was to replace the previous funding mechanism for poorer countries which was the Enhanced Structural Adjustment Facility. The PRGF was to be distributed to countries on the grounds of their Poverty Reduction Strategy Papers (PRSPs) which “describe the country's macroeconomic, structural and social policies and programs over a three year or longer horizon to promote broad-based growth and reduce poverty, ...” (IMF 2002). PRSPs are produced with the cooperation of the World Bank, IMF and other donors. The Bank sees the PRSPs as being part of a Comprehensive Development Framework (CDF) which forms the

foundation for the new partnership between developed and developing countries to achieve improvements in sustainable growth and poverty reduction that will help countries achieve the MDGs, ... The CDF approach, operationalized through PRSPs in low-income countries, provides the common foundation for implementing this new partnership at the country level (World Bank no date).

The CDF and PRSPs should enable the attainment of the goals of the central objectives of the Bank, which are “[e]liminating poverty, reducing inequity, and improving opportunity for people in low- and middle-income countries” since this emphasises “the interdependence of all elements of development—social, structural, human, governance, environmental, economic, and financial” (World Bank no date). However, the CDF/PRSP approach is only for the poorest countries, and India, for instance, does not fall into this category.

These shifts in attitude have been characterised as a post-Washington consensus, with a new policy base. However, a stress on ensuring pro-poor growth, and on developing markets that include the poor, leave the fundamental values of the original Washington consensus unchanged (Thomas 2003 : 10-1). The main actors still share a common goal, to maintain the overall message of the Washington Consensus, whilst making superficial changes: in particular the commitment to free trade has not wavered (Broad and Cavanagh 2000: 90-1). This certainly seems to be truer the further away the Asian Crisis becomes – as does the feeling that any changes will be simply window-dressing (Sandaram 2001: 3). If anything, the WTO is considered more powerful and biased than GATT in promoting trade liberalisation at the expense of development (Sandaram 2001: 5) and an additional problem is that the “free trade rules” it negotiates actually prioritise the interests of the industrialised countries and their major corporations (Khor 2001: 23).

The British Government also claims to target the poor, and state that they “are giving more help to the poorest countries, underpinning ... assistance with long-term agreements based on mutual accountability, and supporting developing countries’ own strategies to reduce poverty” (DFID 2003b: 3). However, trade is still paramount as “[i]ncreased trade and investment opportunities for developing countries offer enormous potential for poverty elimination” (DFID 2003b: 4).

Thus despite the internal arguments, and the questionable success of policies, there remains wide acceptance of the trade liberalisation - growth - development relationship. The IFIs claim to have adjusted their policies to poverty-focused strategies, but reliance on markets and trade is largely unchallenged. This would suggest that the change has been at the level of discourse, and how the policy is presented, rather than actually at the level of policy itself.

With the continued and coherent criticisms of the NGOs in the environmental and development movements, the discourse of development took on a new focus, that of sustainable development. This had the potential to change development massively, to shift from an economic growth-oriented strategy to a needs-based, human-centred one. However, the discourse of sustainable development has been complicated by the attempt by different groups to define it to best reflect their interests or those of the people that they represent. This complexity will be explored below.

## 2.2. Have alternatives been posed or emerged?

Sustainable development emerged from the combined concerns of the development and environment movement. The term first gained political authority in 1987 when the *Brundtland Report*, (World Commission on Environment and Development 1987) established the concept as the framework under which the twin requirements of environmental protection and economic development could be integrated (Jacobs 1999).

There are two broad definitions in common use. The first from Brundtland is "development which meets the needs of the present without compromising the ability of future generations to meet their own needs" (Jacobs 1999: 23). *Caring for the Earth*, produced by the United Nations Environment Programme (UNEP) and various conservation NGOs, defines sustainable development as "improving the quality of life while living within the carrying capacity of supporting ecosystems" (Jacobs 1999: 23). Whilst there might be agreement at this broad level, the more detailed definitions vary (Jacobs 1999: 25) and researchers have identified over seventy (Kirkby et al 1995: 1).

Basiago (1995) usefully considered the different applications of the notion of sustainability in different subject areas. Within biology, it implies the preservation of biodiversity, within economics it might refer to the viability of a business venture in financial terms, or of macroeconomic policies. A sociological application would be concerned with social and environmental justice implications of development, while environmental ethics might focus on the moral responsibility of resource use. Thus, the priority given to one subject can directly affect the assumptions made about sustainable development; the challenge is to make it meaningful from every standpoint.

The apparent lack of clarity in its definition has led some to dismiss sustainable development as "a political fudge...a sham" Dick Richardson (cited in Lafferty 1998: 226), since the absence of an adequate definition renders the concept so loose as to be useless (Jacobs 1999: 22). On the other hand, this allows it to be flexible enough to have a wide variety of uses. The danger here is that it is so general it can be used to give an undeserved green hue to development policy and projects – or greenwash (Adams 1995: 88). Alternatively, Daly (1998: 285) argues for a fundamentally different approach to development – a sustainable development which excludes economic growth, on the basis that growth itself cannot be sustainable.

In order to deal with the variety of approaches and priorities, Baker et al (1997: 9,18) developed a ladder which attempts to categorise the different approaches at a policy

level. Using different aspects of sustainable development they identified a range of policy responses, which led them to categorise it in 4 broad ways, treadmill, weak, strong and ideal. An extract from the table is given in figure 6.

| <b>Approach to sustainable development</b> | <b>Role of economy and nature of growth</b>   | <b>Civil society</b>  |
|--|---|---|
| <b>Ideal</b>                               | Right livelihood; meeting needs not wants; change in patterns and levels of production and consumption. | Bottom-up community structures and control. New approach to valuing work. |
| <b>Strong</b>                              | Environmentally regulated market; changes in patterns of production and consumption.                    | Open-ended dialogue and envisioning.                                      |
| <b>Weak</b>                                | Market-reliant environmental policy; changes in patterns of production and consumption.                 | Top-down initiatives; limited state-environmental rights dialogue.        |
| <b>Treadmill</b>                           | Exponential growth.   | Very limited dialogue between the state and environmental movements.      |

**Figure 6. Extract from sustainable development ladder (Baker et al 1997: 9).**

The ladder is an attempt to represent the different positions possible within sustainable development, as assessed against the various criteria, and can allow for an actor or policy to represent different positions according to those criteria. For instance, a programme might be in the 'strong' category as regards civil society involvement, but in the 'weak' category as regards the nature of growth. Although primarily environment oriented, and developed within the context of advanced industrial societies, the ladder still has resonance when applied to the issues of global development, but can be made more relevant to international development. Figure 7 adapts the ladder from Baker et al (1997: 9), and instead of the original criteria, uses the six principle ideas of sustainable development as identified by Jacobs (1999: 26). The dotted lines are intended to represent the criteria and categories along a continuum rather than being distinct and fixed.

The treadmill view promotes a 'business as usual' approach where problems of the environment or equity are not acknowledged as requiring a specific policy response. For instance, the free-trade Cato Institute considers economic growth to be essential for environmental protection, and one of its directors writes that "the current Western system of free markets, property rights, and the rule of law is in fact the best hope for environmentally sustainable development" (Taylor 2002: 1). Beckerman and Lomborg

take a similar view and are highly sceptical of the concept of sustainable development (Beckerman 1995: 125; Lomborg 2001). Lomborg concludes that economic growth is the best way to stimulate good practice and reduce environmental problems (Lomborg 2001). This arguably corresponds to orthodox development and has been advocated by the TNCs (Baker et al 1997: 12). There is a strong reliance on technology as a means to solve problems and improve resource use, thus removing any need for concern over the finite nature of reserves (Simon and Kahn 1984: 3). Thus the treadmill approach is growth, production and technology oriented.

At the other end of the spectrum is the ideal view of sustainable development (Baker et al 1997: 16), where growth is measured in qualitative terms as suggested by Herman Daly (1998: 289). Daly considers sustainable growth a tautology, if growth is assumed to be economic. On the other hand, he accepts the concept of sustainable development, assuming that progress is implied by technological advance and enhancement of the quality of life, but not economic growth. The central idea is to disentangle growth from development. As applied to international development, this would also prioritise equity, minimise resource use and take a radical approach to production and consumption, based on needs rather than wants.

|                      | <b>Economy/<br/>Environment<br/>Balance</b>   | <b>Futurity</b>                         | <b>Environmental<br/>Protection</b>  | <b>Equity</b>  | <b>Quality of Life</b>   | <b>Participation</b>         |
|----------------------|---|---|--------------------------------------|--|--|------------------------------|
| <b>Treadmill</b>     | Unlimited growth,<br>unlimited resource<br>use.<br>Capital and energy<br>intensive. | Not an issue:<br>technology.            | Where profitable<br>or affordable.   | Not an issue:<br>trickledown.                        | GDP/ income and<br>consumption.                                | Top down. Global<br>markets. |
| <b>Weak SD</b>       |   |   |                                      |  |  |                              |
| <b>Strong<br/>SD</b> |   |   |                                      |  |  |                              |
| <b>Ideal SD</b>      | Needs rather than<br>wants, careful<br>resource use.<br>Labour intensive.           | Precaution:<br>minimise<br>'footprint'. | Carrying capacity,<br>maximum yield. | Intra and inter<br>generational equity<br>paramount. | Range of<br>indicators: social,<br>environmental and<br>human. | Bottom-up.<br>Local markets. |

Figure 7. Sustainable development framework (after Baker et al 1997: 9; Jacobs 1999: 26)

Operating along a spectrum between the two extremes, there are a range of positions, two of which can be characterised as weak and strong sustainable development. In the weak view, economic growth remains a precondition for environmental protection, but there may be initiatives to assess the impact of policies, such as environmental impact assessments (EIAs) (Baker et al 1997: 14-5). This could be said to represent IFI policy, with a commitment to the existing strategy of orthodox development, and its central desire for growth, whilst promoting the use of instruments for environmental protection and additional measures for poverty eradication (ibid: 12). In the strong view of sustainable development, environmental protection and redistribution take precedence (ibid: 15). This is a more pragmatic approach accepting that it is usually more expensive to react to problems than to avoid them – although the former has been the norm.

The assumptions made about what is necessary, that is the purpose of sustainable development, may be a reflection of the primary interests of the institution or group generating the discourse. An economist may prioritise sustainable economic growth and this will dictate a particular policy response. Similarly, a sociologist concerned with community development may put most stress on equity and quality of life in the broadest sense.

### **2.3. Is sustainable development really an alternative approach to orthodox development?**

Michael Jacobs (1999: 27) writes that

sustainable development is evidently not the path of development which has been followed by the global economy, or by most individual nations, over the past fifty years, even less over the last twenty.

Jacobs goes on to identify a fault line in four of the core ideas, as represented on the assessment ladder in figure 8. The fault line can be seen to represent the key differences between orthodox development and an alternative sustainable development. Any project, policy or initiative would in theory have to be assessed in these categories in order to see if they fall towards the treadmill or ideal view.

|                  | <b>Equity</b>   | <b>Environmental Protection</b>  | <b>Participation</b>  | <b>Quality of life</b>   |
|------------------|---|--|---|--|
| <b>Treadmill</b> | Often ignored, avoidance of discussion of consumption patterns (Northern interpretation)  | Economic activity is prioritised, environmental measures taken if not too expensive (Government and business interpretation ie orthodox)         | Participation limited to powerful stakeholders, (businesses and government actors), or participation of all stakeholders results in weak policy. That for the majority may be limited to action to solve the problem rather than generating a solution. | Measured on environmental impact only (as in North), scope of concept limited to environment |
| <b>Ideal SD</b>  | Global resources should be shared between North and South, sustainable development too often seen as environment only (Southern interpretation) | Environmental limits are accepted: suggesting that ecosystems are limited in capacity, or limited in terms of output (maximum sustainable yield) | Alternative, real participation in decision-making by ordinary people.  | Sustainability in all aspects: communities, employment, education                            |

**Figure 8. Fault lines between ideal and treadmill sustainable development (Jacobs 1999: 31-9)**



The dominance of treadmill sustainable development is a result of strong corporate sector influence over global development policy. Effective lobbying at the United Nations Conference on Environment and Development (UNCED) in Rio in 1992 ensured that there were to be no initiatives to impede corporate activity, or contradict measures at the WTO. In fact, the UNCED process was one in which industry made a concerted effort from the very start, with the formation of the BCSD and its advisory role (Bruno and Karlner 2002: 7). Steven Schmidheiny, as Chair of the BCSD made a case for growth and trade first saying that "unless nations trade they cannot develop. Unless they develop economically they cannot protect their environments..." (Schmidheiny 1992: 69). According to Bruno and Karlner, the final Rio documents enshrined free trade as the "sacred icon" of sustainable development (Bruno and Karlner 2002: 31) and therefore guaranteed business as usual.

Despite verbal or written commitments to sustainable development, the effects on industry practice and output have been limited. Around the time of the Johannesburg Summit in 2002 (the follow up to the Rio meeting) even UNEP was driven to comment that there was "a growing gap between the efforts of business and industry to reduce their impact on the environment and the worsening state of the planet" (UNEP 2002). The reasons that they cited for this were that

in most industry sectors, only a small number of companies are actively striving for sustainability, i.e. actively integrating social and environmental factors into business decisions ... because improvements are being overtaken by economic growth and increasing demand for goods and services (UNEP 2002).

So, business appeared more concerned with reacting to the demands of the market than with social or environmental responsibility. While there are examples of best practice, presented by industry as a proof of ethics, critics dismiss them as window-dressing. A Joint NGO/Activist Statement (2003) issued by a broad coalition before the Johannesburg meeting was a statement of concern about 'deep greenwash' or 'engineering of consent' demonstrated by corporations who were

using more and more sophisticated strategies to influence political outcomes and debates. Aided and abetted by the public relations industry, they are moving from defending their own battered reputations to promoting corporate globalisation itself against the pressure for systemic social change.

The statement went on to discuss the UN public private partnership initiative as being form of a 'bluewash' to lend UN credibility to corporate strategy.

Thus the orthodox view of sustainable development would seem to be consistent with orthodox development, if a rather more self-aware version of it. It pays attention to environmental and social problems, but it remains centrally reliant on liberalisation and economic growth. Corporations appear to be primarily concerned with pursuit of their own interests. This should not be a surprise. Milton Friedman (cited in Bakan 2004: 54) commented that “a corporation is the property of its stockholders” and as such “its interests are the interests of its stockholders”. According to Friedman this means that a corporation should not “spend the stockholders” money for purposes which it regards as socially responsible but which it cannot connect to its bottom line (ibid). Conversely, if it takes measures which are socially or environmentally responsible, not because it is a morally right course of action, but because it maximizes profits, then that is perfectly justifiable in business terms.

## 2.4. Summary

There are challenges to the orthodox approach at a variety of levels: at the level of discourse construction and the potential effects on policy formulation, such as disputing the universal application of the Western economic model. There are also challenges to the problem-solving capacity of the approach, citing failure as indicative of a contradiction between discourse and policy aims. Additionally, there have been events which have raised doubts about the appropriateness of the policies to all countries and regions.

Firstly then, are critics who dispute the orthodox notion of development and poverty and what they see as the resultant imposition of Western values on others (see Escobar (1995), Esteva (1992) and Sachs (2000)). Similarly, the dependency theorists (see Baran (1957) Wallerstein (1993)) argued that the orthodox approach was actually a means to maintain inequalities between states, which were considered a necessary feature of the global capitalist economy. Both views effectively reject the discourse of orthodox development, disputing its assumptions, the explanation and aims of related policies and the interests of the policy makers.

Secondly, there are those who do not dispute the notion of development itself, but reject the policies on the grounds that they have been unsuccessful, implying that there is therefore reason to doubt the problem-solving ability of the policies. These critics have disputed monetary poverty as an appropriate measure, or GNP indicators as relevant in poverty reduction, or the linkages between GNP, poverty and liberalisation. For

instance, in the case of linkages between liberalisation and poverty reduction Weller and Hersh (2002a) and Stiglitz (2002) put forward evidence to show that liberalisation increases the vulnerability of communities rather than reducing poverty.

Still other critics raise questions about the appropriateness of the policies. Chang (2002b: 16-9) argues that a policy of liberalisation may have helped the industrialised nations at critical points in the past, but that the historical variation in its application provides a strong argument against its universal use now. Similarly, the Asian Crisis generated internal debate and fuelled the criticisms of the one-size-fits all approach to policy making. Stiglitz (2002) blamed the crisis on the external management of the economies of the region by the IMF. It would seem that the reaction of the Washington Consensus to the Asian Crisis was to acknowledge the need for individually appropriate policies which would be developed by the countries themselves, rather than imposed by the IMF or the Bank. The donor institutions like the UK and Bank claim to have changed their funding strategies to simply support country specific policies rather than to impose a universal solution.

Additionally, the fact that poverty has been redefined as a complex, multi-faceted concept, even by the World Bank, is presumably an acknowledgement of the arguments that poverty can be defined on a range of scales. This is important in communicative terms, and is an example of discourse being supple enough to adapt (Schmidt 2002; 226) but has had limited effect on policy. The policies still predominantly promote the basic orthodox equation of poverty-growth-liberalisation. Thus, the critics dispute the extent of the change, claiming that countries of the South are still being expected to liberalise to a massive extent, and the changes have been at the level of discourse rather than policy. This might be argued to indicate that either the donor community exercises covert influence over the policy process and can appear to be following the lead of others. Alternatively, it could be that the discourse is so well-accepted that liberalisation is the only option for the governments in the South. In this case, the discourse of development could be the space "in which only certain things could be said and even imagined" (Escobar 1995: 39).

In dealing with the criticisms of orthodox development there is inevitably discussion of alternatives. Sustainable development, as described could offer an approach which would be locally appropriate and meet the needs of local communities and which would pose an ideological alternative to orthodox development. However, the orthodox community is also attempting to use the discourse of sustainable development in a way which is mostly consistent with orthodox development, and based on liberalisation and

growth. The role of particular actors in this is informative, and well demonstrated by that played by companies in the construction of sustainable development strategies. This seems to have resulted in sustainable development being used interchangeably with growth within the orthodox discourse, and as such liberalisation is the pathway to sustainable development. This raises a major normative question as to whether it is desirable to have actors, who are not subject to democratic control, playing such a part in the global economy, particularly where the issues are equity and aid.

## **Chapter four: The role of the UK and World Bank in international development.**

The UK and the World Bank are particularly important actors in international development policy, both in general and with specific regard to India and Andhra Pradesh. Their roles have been touched upon in the previous chapters but will be explored in more detail here.

The World Bank (2005c) describes itself as the world's 'largest development organisation', while the UK holds a uniquely influential position in international development, being the only government which is part of the G8, a member of the Commonwealth, EU, OECD, a major player in the IMF and World Bank, and a permanent member of the UN Security Council (Dixon and Williams 2001: 159). The India programme is the UK's largest for any single country, making its relationship with India highly significant. Similarly, the World Bank is the largest funder of development projects in India and in recent years, both the Bank and the UK have fostered direct relationships with Andhra Pradesh and other states, ostensibly to improve the impact of their projects and programmes, which are relatively small in comparison with national and AP state budgets and GDP.

Before studying the role of the UK and Bank, the chapter will consider another element of international development, that of aid. Aid is the traditional medium for the implementation of development policies, and it is not possible to discuss the development discourse without addressing it. Conditions attached to aid, in particular via structural adjustment policies have been instrumental in driving liberalisation and privatisation, so much so that the conditionality of aid has been referred to as the "handmaiden" of liberalisation (Christian Aid 2005: 5). Thus it will be considered, as will its implications for policy, particularly in relation to trade.

In examining the role of the two actors, the chapter will also consider how they have presented their policy as problem solving. It will then consider how they have communicated their policies, and how they have been presented as appropriate, particularly with reference to India and AP. Finally, the chapter will consider challenges to Bank and UK policies which differ from those discussed in previous chapters, and what effects they have had on either actor.

# 1. How have the UK and World Bank influenced development policy?

## 1.1. Aid: how is the concept constructed and how does this influence policy?

The elements of development, poverty, growth and liberalisation as explored in the previous chapter remain central. However, in considering the nature of development and its history, it is also essential to look at aid, and its relationship to development and trade.

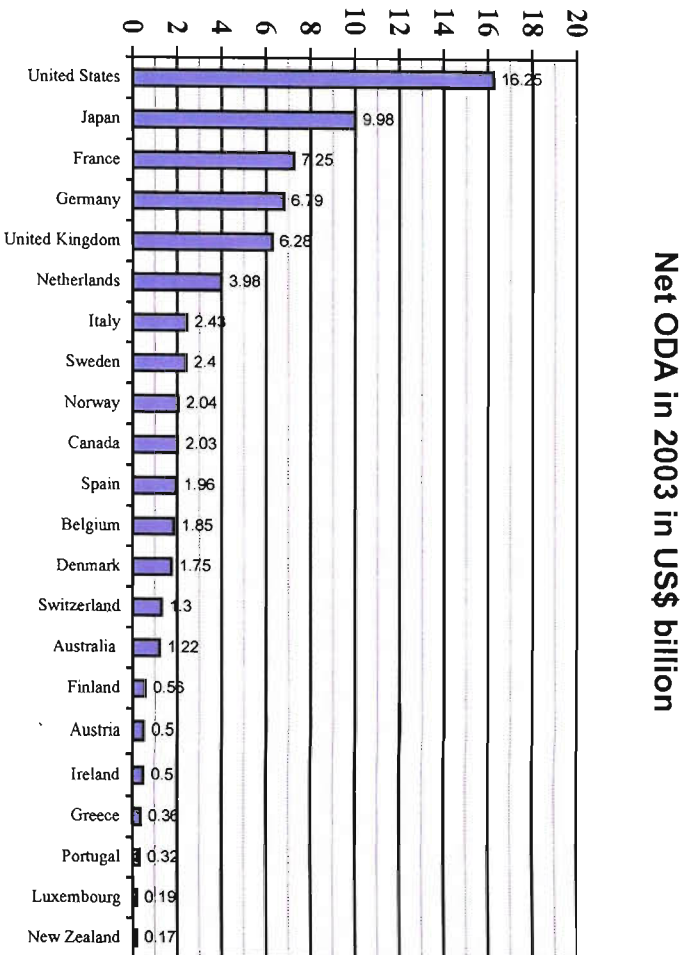
### Aid

According to the OECD "aid" and "assistance" are financial flows which qualify as Official Development Assistance (ODA) or Official Aid (OA) (DAC 2005). In turn, assistance is defined as "grants or loans ... by the official sector ... with promotion of economic development and welfare as the main objective ... at concessional financial terms" (DAC 2005). A grant requires no repayment, and a loan, to qualify as aid, would have a below-market interest rate, often with a grace period before repayments fall due. Figure 9 shows the scale of aid funding from OECD countries. In 1970 the UN General Assembly set a target of 0.7% GNP as aid expenditure. Figure 10 shows which countries have met that target.

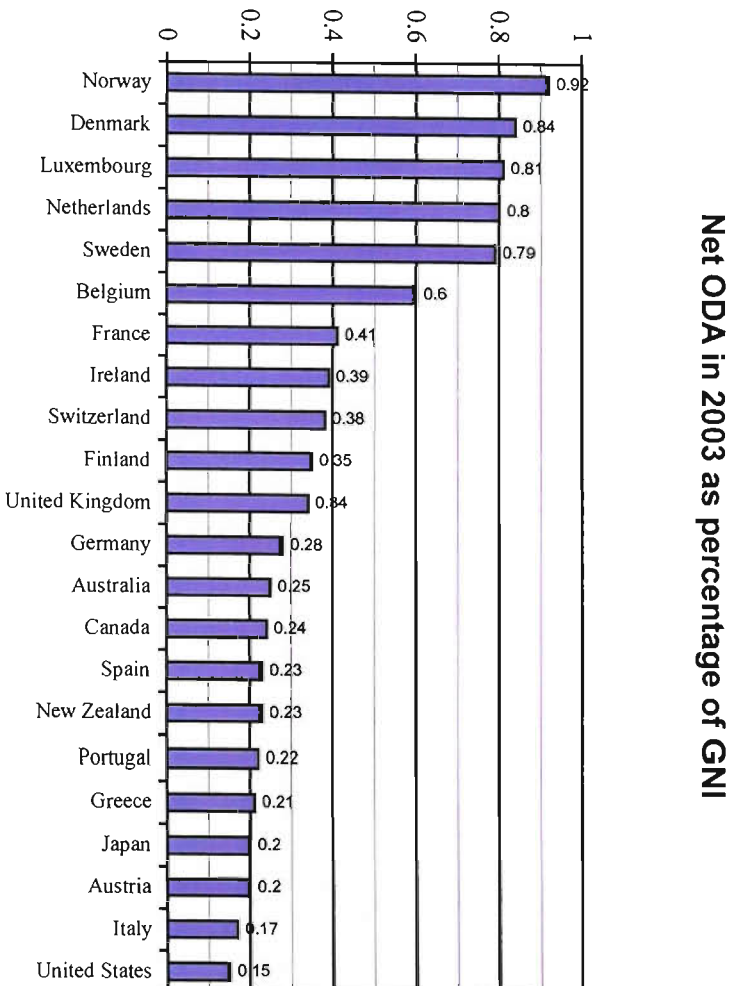
Financial aid of this sort is largely a twentieth century phenomenon, based on the assumption that

governments ... accepted the principle that in the interests not only of their own communities but of the world in which these communities exist, they must organize and undertake mutual aid (UN 1951a: 3).

Much has been written about what constitutes donor or recipient interests. Donor-based objectives could be the gain of commercial benefits, such as those achieved by tied aid, which is defined by the Development Assistance Committee (DAC) of the OECD as funding which specifies the "procurement of the goods or services [from] the donor country or ... a group of countries" (DAC 2005). Untied aid imposes no conditions on the recipient as the "goods and services may be fully and freely procured in substantially all countries" (DAC 2005).



**Figure 9. ODA from OECD countries in 2003, US\$ billion (OECD 2005)**



**Figure 10. ODA from OECD countries in 2003, as percentage of GNI (OECD 2005)**

Aid can therefore be used as a tool of foreign policy (Byrd 1991: 53). The most important foreign policy implications, according to Dean Acheson (1969: 264) were the policy

linkages between international development and national security. The US, driven by the Cold War tensions, set up programs for developing countries, which “had political, strategic and military objectives as well as economic ones” (IBRD/The World Bank 1982: 2). Historically, aid from smaller donors (such as Sweden) has tended to be shaped by concern for the development needs of the recipient. By contrast that from larger donors (such as the US) has more likely been established as a foreign and commercial policy tool, designed to meet a wide range of objectives, and generally “it seems that donor self interest has been an enduring feature of donor-recipient relations since the 1950s” (Hjertholm and White 2000: 99). The multilateral institutions such as the World Bank (often supported by bilateral donors) have frequently imposed macroeconomic conditionality on countries as a loan requirement.

In terms of the interests of the recipient nation, Morrissey et al (1992: 21) have distinguished between aid as a means to alleviate poverty, where the target is the poorest (although likely to be less powerful), and aid as a means to achieve economic growth - where the targets are generally the richer sections of society. High profile capital investments, they maintain, will generally benefit elites and decision makers and therefore the latter projects are most likely to find support within the recipient nation.

Aid frequently consists of technical expertise and technology, rather than finance. Countries considered ‘backward’ because they lacked expertise, were offered technical assistance (UN 1951a: 61; UN 1965: 7). The assumption was that “most under-developed countries have few technical surveys of their resources” and were consequently unaware of “development possibilities” and “not really in a position to begin with development planning”. Thus the role of the UN was to survey and assess potential, and advise on the correct way forward (UN 1951a: 61).

There are still many bilateral aid agreements between countries (such as India and the UK). Increasingly however, international aid is disbursed via the multilateral agencies such as the World Bank and the Asian Development Bank (ADB). For instance, the soft loan arm of the World Bank, the International Development Association (IDA)

helps the world's poorest countries reduce poverty by providing “credits” which are loans at zero interest with a 10-year grace period and maturities of 35 to 40 years (World Bank 2002f).

The EU is a cooperative bilateral donor, rather than a multilateral agency, and is increasing in importance as more member state aid goes through it than before. It claims to be the largest ODA donor in the world, providing 55% of all ODA (EC Delegation to India 2004b). This is technically true when all the monies from individual



member states and those channelled through the Commission are considered. Additionally, the EU and its member states form collectively the largest shareholder in the World Bank and therefore potentially very influential (Burnell 1997a: 158).

Aid has always been contentious, one view is that it is inadequate, another that grants or even cheap loans are inappropriate, since the market would deliver if allowed to follow its own course (Preston 1997: 163). Additionally, the benefit to recipient nations of tied aid is disputed, as is the wisdom of disbursing aid via non-governmental agencies. Thus, aid is a complex phenomenon, the global pattern of which is “a product of historical and geopolitical factors [which] reflects the mixtures of commercial, strategic, political, developmental, humanitarian and other motivations particular to countries individually” (Burnell 1997a: 162-3).

However, the way in which aid is conceptualised can have a major impact on its effect. James Ferguson (1990: 225) noted the potentially depoliticising effect of a discourse which characterised aid as a technical exercise, and recipient governments as technical implementers of aid packages. If development did not occur as a result, the presumption would therefore be that the failure was due to technical shortcomings, of inefficiency or lack of education, rather than an indication of interests. It was therefore implied that governments such as that of Lesotho, were not groupings with political interests, which might use aid mechanisms to further those interests, but apolitical developmental agencies. Furthermore, the normative stance of a government or party to an aid agreement, whether it be the commitment to aid from a moral standpoint, or the belief that aid is of benefit to domestic industry in the donor nation, or the conviction that trade not aid is the answer, will impact on policy and how it is justified.

## **1.2. How have the World Bank and UK in particular contributed to international development?**

Two of the most important actors involved in international development are the World Bank and the UK. To facilitate understanding of the two, it is necessary to consider their historical and political contexts. Given the importance of the role of the EU, and its significance as a source of aid and as a trading bloc, EU policy on aid and development will also be touched upon.

## **The World Bank in context**

It is useful to consider the historical development of the Bank, and its power structure, plus the specific linkages with India.

### **Bretton Woods**

Officially the United Nations Monetary and Financial Conference, the 1944 Bretton Woods meeting shaped global economic development via the creation of the World Bank and its sister organisation the IMF (Kapur et al 1997a). The conference was the opportunity to put some of the political statements and agreements from previous years into a policy framework. For instance, in his Annual Address to Congress, Roosevelt (1941) proclaimed the "four freedoms", including "freedom from want . . . everywhere in the world". Similarly, the Atlantic Charter (1941), agreed between the US and UK specified the need for all states to have

access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity ... [and] ... the fullest collaboration between all nations in the economic field.

The 44 governments at Bretton Woods focused discussions largely on macroeconomic planning. The main "purpose of the conference was to prevent any repetition of the anarchy and protectionism that had such disastrous consequences between the first and second world wars" (IBRD/The World Bank 1982: 1). Harry Dexter White, assistant to Henry Morgenthau, Roosevelt's Treasury Secretary and John Maynard Keynes, adviser to the UK Treasury, were instrumental in preparing the meeting and framing the debate (George and Sabelli 1994: 24).

The IMF received most attention, and was to be "the central institution of the international monetary system... to prevent crises in the system by encouraging countries to adopt sound economic policies" and to work "for global prosperity by promoting the balanced expansion of world trade" (IMF 2002c). Its articles of agreement entered into force in December 1945, and it began formal operations in January 1947 (IMF 2002b). Offering short-term financial assistance to counter problems such as balance of payment deficits (IMF 2002a), it also helps to promote the health of the world economy by administering a system of fixed exchange rates. This was the foundation of the 'Bretton Woods System', "conceived and then driven through by the United States" (Rothbard 2005).

Credit has been given to the UK, Keynes in particular for pushing plans for a development bank (George and Sabelli 1994: 25-6). Others argue that it was White and his deputy Edward Bernstein who drafted articles of the Bank, which included a reference to development on a global scale (Kapur et al 1997a: 57). Whatever the truth of this, the International Bank for Reconstruction and Development (IBRD) was founded, its inaugural timetable mirroring that of the IMF (World Bank 2002f). Meetings of the two are held jointly and membership of the Bank is conditional on IMF membership.

The Bank's mission was to be "a facilitator of post-war reconstruction and development" (World Bank 2002f) with longer term lending arrangements than the IMF (2002a), its first loan was \$250 million to France in 1947 (World Bank 2002f). The original IBRD was joined in 1960 by the IDA and the Bank group has since grown to include three additional members; the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID). Each "institution plays a distinct role in the mission to fight poverty and improve living standards for people in the developing world" (World Bank 2002a).

Keynes' idea to have trade as the third pillar of the international economic system was opposed (by the US) and any discussion of a global trading organisation was delayed until the 1947 Cuba conference 279-80 (Singer 1984). The proposed International Trade Organisation (ITO) was to include commodities and private foreign investment, but continued opposition to this in Congress prevented US support for it. Apparently the main concern was that the ITO would be far more influential on US domestic policies than either the World Bank or the IMF (Trebilcock and Howse 1999: 36). The UK announced it would not ratify the ITO before the US, so neither country gave it official support (Curtis 1998: 76). A former UN official (Nassau Adams cited in Curtis 1998: 76) believed the ITO proposal failed because it was "too universalist in scope, too democratic in outlook" and the "elitist mentality ... could not contemplate an institutional setting in which the rich countries might mingle on equal terms with the poor".

The only surviving part of the Havana Charter was the GATT (Trebilcock and Howse 1999: 21), intended as a temporary arrangement, but becoming permanent in 1955. However, it allowed for far less special treatment of developing countries than had been bargained through the Havana charter (Meier 1984: 10). It reflected the political dominance of the richer nations – since the mechanism of subsidies and tariffs generally only creates problems for developing countries (Bhagwati 1966: 233). Without the financial strength of the industrialized countries, a government would not be able to

benefit from these measures. GATT was also criticized for its “tradition of secrecy and lack of transparency” and accused of being largely beyond public control (Boas and McNeill 2003: 41). However, under GATT countries had some flexibility and could make some choices about measures and application of agreements, but within the WTO countries commit themselves completely or risk exclusion.

### **The Marshall Plan**

The IMF, World Bank, and UN funded initial post-war recovery in Europe, but it became “clear that the reconstruction needs ... were more than either institution could finance” (IBRD/The World Bank 1982: 1). The Marshall plan was enacted to increase financing, the bulk being given in the form of grants as it could not be foreseen how long recovery would take (IBRD/The World Bank 1982: 1). The forerunner of the OECD, the Organisation for European Economic Cooperation (OEEC) was founded in 1948 to manage the Plan (Clarke 1982: 190). Also known as the European Aid Programme, it aimed to supply the substantial help that was required for European countries to pay for (largely US) imports of food and raw materials, as only this could ensure the “return of normal economic health in the world” (Marshall 1947).

In his Point Four speech, Truman (1949) announced that the US was “ready to undertake new projects to strengthen the free world” and operate outside Europe (Truman 1949). Truman thus assumed that the principles of growth promotion and economic planning could be applied elsewhere (Kindleberger 1993: 433-5). The novelty of this was that it

contained a concept of international aid based on the need to promote a suitable rate of growth in the receiving countries, a prototype thus of modern development aid (Preston 1997: 158).

That growth could be described theoretically and actually promoted as a matter of policy were new ideas. Paul Streeten (cited in Preston 1997: 158) suggests that it was the dramatic economic recovery in Europe that encouraged the belief that it was possible to deliberately intervene in an economic system to raise growth rates. Thus once European recovery was underway, the Bretton Woods institutions turned their attention to development finance, to some extent forced by the fact that the newly independent countries were becoming members of the Fund and the Bank (IBRD/The World Bank 1982: 2). Pierre De Senarclens, Professor of International Relations at Lausanne University considers the European redevelopment plan to have soon become the blueprint for global development (de Senarclens 1997: 194), and that this marked the beginning of the process of the “global institutionalisation of aid” (Morrissey et al 1992a:

3). This is not to say that the notion of orthodox development has remained the same from 1945 to the present day, but rather to emphasise the consistency in some ideas – such as that of free trade – over that period.

The Point Four program was formally established in 1951 but it stressed technical assistance and left funding to private actors (the US had also discovered it lacked the budget to fund it) (Acheson 1969: 265). Later the US created the bilateral Development Loan Fund to offer financial assistance, and other industrialised nations established similar funds as their economies stabilised. The colonial powers initially favoured ex-colonies, but over time also developed aid programs for countries with which they had close commercial, trade or strategic links (IBRD/The World Bank 1982: 2). By 1960 the European economies had improved to such an extent that the DAC was created to oversee aid agreements (Morrissey et al 1992a: 8-9). The DAC is the principal body through which the OECD deals with issues related to co-operation with developing countries. It provides a forum for discussion of member state bilateral funds and monitors their success, producing common guidance on a range of issues to make aid more effective (e.g. poverty reduction and sustainable development strategies and policies). Strong partnerships have developed between the Bank, other multilateral banks, UN organisations and the DAC, to foster and improve aid effectiveness, and to promote greater policy coherence (Faure 2003: 2).

### **Power, conditionality and the Bank**

The colonial system was still in place in 1944, so the Northern industrialised countries dominated the agreement. The Bank states that even if more Southern countries had been represented that

the results would probably have been the same; the overriding concern was the re-establishment of an open world economy and a stable system of exchange rates, not the financing of development. Most of the discussion therefore concerned the Fund rather than the Bank (IBRD/The World Bank 1982: 1).

Academics such as Cammack and Meier maintain that since most states who would be recipients of development aid were excluded from decision-making, they had little influence over the nature of these institutions, and that the outcome would have been different had they played a significant role (Cammack 1994: 150).

The political power lay with the United States and Britain, and from the outset it was apparent that issues of development were not to be on the Bretton Woods agenda (Meier 1984: 9).

The World Bank and IMF, although UN specialised agencies, were always politically and financially more powerful than the UN itself. The UN had limited finances, something which remains a matter of argument. In the beginning, poorer countries were not satisfied with early

small and piecemeal technical assistance operations ... whose resources of \$20 million paled in comparison with the close to \$20 billion earmarked for Europe (Mendez 2003).

This meant that the UN, via the General Assembly and other institutions, had only variable influence on international development policy. The UN operates a one member-one vote system, whereas in the Bank and IMF voting capacity is proportional to financial input. This reduces the influence of a country like the US within the UN, while increasing the influence of the poorer countries. Bank Vice President Ernest Stern (cited in Kapur et al 1997a: 3-4) summed this up in 1985 saying that

[t]he Bank is an influential element in the international system. US influence in UN organisations is weak; the ADB is dominated by Japan; the IDB by the borrowers. The US does not control the Bank but as the largest shareholder and in association with other like-minded OECD countries [it] exercises an influence unmatched elsewhere.

| Country        | IBRD            |                     | IDA             |                     |
|----------------|-----------------|---------------------|-----------------|---------------------|
|                | Number of votes | Percentage of total | Number of votes | Percentage of total |
| USA            | 265,219         | 16.39               | 2,019,309       | 14.280              |
| Japan          | 127,250         | 7.86                | 1,541,960       | 10.90               |
| Germany        | 72,649          | 4.49                | 989,929         | 7.00                |
| United Kingdom | 69,647          | 4.30                | 715,264         | 5.06                |
| France         | 69,647          | 4.30                | 611,024         | 4.32                |

**Figure 11. World Bank voting rights (World Bank 2004a: 4).**

Owned by the 184 member governments, the Bank allows borrowing at below market rates. The finance ministers (or central bank governors) of the donor governments, meet annually in September, but day to day business is delegated to an executive board in Washington. The US has one of the five permanent executive directorships (others being the UK, Japan, Germany and France) (FCO 2005). Other countries elect a group representative. Voting patterns reflect the historical Anglo-US dominance, and votes are allotted in relation to membership, and the amount of money committed to the Bank. For

instance, recent voting rights for the five permanent Board members within the IBRD are in figure 11.

In practice, voting is rarely used, since the real power lies with the management and their policies rather than shareholders. The UK was historically well represented on the Bank staff (second only to the US) although in the 1980s the number of British employees declined (Mosley 1991: 75-80). Under the articles of the Bank, it was to be located in the capital of the largest shareholder – which has always been the US, and “by convention, this shareholder ... also chose the President” (Kapur et al 1997a: 4).

USSR delegate Stadnik (cited in UN 1951b: 39) indicated his government’s concern at the level of US influence. He accused the US of “using its “economic aid” as a pretext for interfering in the economy of the recipient countries”. Stadnik also referred to a New York Times article in which “the US authorities had admitted that programmes of economic aid were closely linked with military requirements”. On the other hand, the effective withdrawal of the USSR by its refusal to ratify the Articles of Agreement meant that “politico-economic weight was so overwhelmingly centred in the United States that there was no way America could have avoided dominating” (Kapur et al 1997b: 3,6).

The Bank’s business has been persuasion, teaching, even “plotting with other donors” or “playing hardball economic reform through loan conditionalities” (Kapur et al 1997b: 2). President from 1949 until 1962, Eugene Black (cited in Kapur et al 1997b: 2) called this “the diplomacy of development”. Robert McNamara, ex US Defence Secretary and Bank President from 1968 to 1981, and was the first to make a public articulation of policy-linked structural adjustment. He did so in a speech to UNCTAD in 1979 saying that “in order to benefit from an improved trade environment the developing countries will need to carry out structural adjustments favouring their export sectors” (McNamara cited in Kapur et al 1997a: 506).

Thus the seeds of structural adjustment funding were sown shortly before McNamara left the bank in 1981 (George and Sabelli 1994: 55). That year the Reagan administration came to power and this intensified neoliberal policies in the US and therefore within the Bank (Mosley 1991: 81). With the global debt crisis, which emerged in the early years of Reagan’s presidency, rising interest rates and massive loan repayments became increasingly problematic for the South. Mexico, Brazil and Argentina announced in 1982 that they could not meet their repayments and the crisis erupted. The priority of the World Bank changed from development to debt repayment. The Bank and the IMF were approached by governments under pressure from

commercial lenders to repay loans, and desperate for extra funding. The two increasingly imposed conditionalities (such as the privatisation of state enterprises to reduce public expenditure) to ensure debt repayment (Rapley 1996: 36-8).

The SAPs attracted much criticism (Mosley 1991: 82-3), but even so dissatisfaction about Bank spending within the Reagan administration intensified the commitment to policy-based lending, and macroeconomic change replaced project funding as the key to development (George and Sabelli 1994: 124-6). The Bank and Fund still prioritise macroeconomic policy, having

a mandate and a role to play in supporting trade liberalisation and an open international trading system. There are several avenues through which the Bank and the Fund contribute to these objectives, while cooperating closely with the WTO and other partners. First, by raising awareness of the benefits of free trade for all member countries, and of the costs imposed by market access restrictions. Second, through advice to and programs with member countries, aimed at helping create policy and institutional environments conducive, *inter alia*, to trade (IMF/World Bank 2002: 4).

## **The World Bank and India**

Having strategic importance and a policy of non-alignment during the Cold War, India benefited from support from both the West and the Soviet Bloc, enjoying access to a large portion of available aid (Ray 2005). In 1960 India received over one third of the global total and over 10% in the 1970s, although this declined to 4% in the early 1990s (Burnell 1997a: 125-6). ODA budgets have all declined in the last two decades due to the post-Cold War reduction in defence-related strategic aid (Thomas 2000: 208).

Figure 13 shows that the Bank (via the IDA) is by far the largest aid donor to India. However, figure 12 indicates how small ODA is in comparison to India's GDP. It also shows that the amount of foreign direct investment (FDI) coming into the country is about twice the level of ODA, so indicating the greater role of the private sector.



| Total<br>(US \$M)<br>2002 | Per<br>cap<br>US \$<br>2002 | ODA as<br>% of<br>GDP<br>1990 | ODA as<br>% of<br>GDP<br>2002 | Net FDI<br>flows as<br>% GDP<br>1990 | Net FDI<br>flows as<br>% GDP<br>2002 | Other private<br>flows as %<br>GDP 1990 | Other private<br>flows as %<br>GDP 2002 | Total<br>debt<br>service<br>as %<br>GDP<br>1990 | Total<br>debt<br>service<br>as %<br>GDP<br>2002 | Total debt<br>service<br>as % of exports<br>of goods and<br>services<br>1990 | Total debt<br>service<br>as % of exports<br>of goods and<br>services<br>2002 |
|---------------------------|-----------------------------|-------------------------------|-------------------------------|--------------------------------------|--------------------------------------|---|---|---|---|--|--|
| 1,462.7                   | 1.4                         | 0.4                           | 0.3                           | 0.1                                  | 0.6                                  | 0.5                                     | 0.4                                     | 2.6   | 2.6   | 31.9   | 14.9   |

Figure 12. ODA and investment flows to India as percentage of GDP (1990 and 2002) (UNDP 2004: 200).

From the early days of their donor-recipient relationship there were attempts to impose conditionalities on loans, Bank President Eugene Black wrote to Prime Minister Nehru explaining the problems presented by the 2<sup>nd</sup> 5 year plan in 1956, which favoured state-controlled development. Nehru had negotiated funding for the plan from the USSR and had been severely criticised for this at home. However, he managed to deflect WB pressure by leaking the letter and thereby gaining political support for the Soviet funding from his erstwhile critics who resisted what they saw as US interference (Ray 2005). Today the Bank claims to base its programmes on India's 5-year plans and the national poverty reduction strategy. The World Bank (2004d: 1) looks to "maximise ... the diverse resources of the Bank Group to dramatically scale up [its] impact".

The Bank has high-level contact with the Planning Commission of India (Parmar 2005). The Deputy Chair of the Planning Commission since June 2004, Montek Singh was previously a Director of the IMF and said to be immersed in the culture of the IFIs. He controversially suggested that evaluation of development projects in India should include the World Bank and McKinsey, the international management consultancy (Narasimha Reddy 2005).

### **WB and state funding**

Until the late 1990s, donors had dealt directly with the Indian federal government. Now, with national government agreement there is structural lending to certain states, assessed on criteria such as economic restructuring, high levels of poverty and a willingness to reform (World Bank 2004d: 2). In March 1997 Chief Minister of Andhra Pradesh (AP), Chandrababu Naidu approached the World Bank for funding, having been persuaded to restructure the state economy, and to increase revenue while cutting subsidies (Nicholson 1997a). "Impressed by Mr Naidu's attempts to reform his government" the Bank began discussions on loan packages worth between \$400 and \$500 million. This was to be the first time that the Bank had been involved in state level funding – what some called the first "state-level structural adjustment lending programme" (Nicholson 1997b) and AP became its first "focus state" (*The Economist* 2000). External funding for development in Andhra Pradesh rose in the 1990s indicating "recognition of the pro-reform approach of the government" (DFID 2001: 15). The Bank was the largest donor to AP in 1999-2000, investing \$266.23 million (ibid: 12).

The first state SAL (structural adjustment loan) for AP was agreed in 2002 (Gol 2004). A SAL is intended to support

reforms that promote growth, efficient use of resources, and sustainable balance of payments over the medium and long term...[and] typically focus on major macroeconomic and structural issues that cut across sectors, such as trade policy (DFID 2001: 14).

The second SAL was approved in February 2004, for US\$220 million to support the “ongoing reform programme” in AP including the following components:

(i) improving poverty monitoring and pro-poor policy formulation and implementation, (ii) implementing structural measures to foster economic growth, (iii) restructuring and privatising public enterprises, (iv) improving fiscal discipline, the composition of spending public expenditure management, and financial accountability (v) strengthening governance, and (vi) facilitating sectoral reforms in education health and power (GoI 2004).

The Bank has denied any particular agenda for AP and rebutted the claim that it was imposing conditionality on the funds (*The Hindu* 1997). However, there is evidence to the contrary, since the Bank makes public statements about undesirable policy. For instance that “India’s subsidised tariffs have become a lose-lose proposition” or that “continued electricity subsidies at unmanageable levels that threaten the State’s fiscal health also crowd out productivity enhancing public investments needed to sustain agricultural growth” (Srinivasan 2001). AP District General Secretary, S. Nageswara Rao accused the World Bank of putting pressure on the state to privatize water supplies and ensure that farm water supplies were metered (*The Hindu* 2002). Additionally, representatives of funding agencies including the WB and DFID met in Hyderabad to consider whether the state government was prepared for the second SAL (*The Economic Times of India* 2003). The Bank later withdrew funding for budget support to AP in June 2004 when the new government announced plans for free power, reversing a previous agreement with the Telegu Desam Party (TDP) and the Naidu government (House of Commons International Development Committee 2005a: 22).

The DFID and the Bank work together in AP: “we have a very close relationship with the World Bank and constant dialogue with them” Seymour Smith quoted in a recent House of Commons International Development Committee Report (2005b: 24).

## **UK aid and development policy**

The UK policy on aid and international development would seem closely tied to that of the IFIs but it has a rather different provenance. It has been heavily influenced by its

colonial past and remaining Commonwealth links, the later post-war international developments and the EU. Aid has ramifications for British public policy as a whole, firstly playing a role within the Western alliance, secondly opening an important dialogue with the Commonwealth and in bilateral agreements. Even small amounts of aid can be of significance to the recipient, although the “historical evolution of aid policy has tended to follow the global political and strategic interests of the major donors, especially the US” (Morrissey et al 1992: 2). It is arguably the case that the many and complex influences on British development policy have resulted in its apparent ‘confusion’ (Burnell 1997a: 155-7).

The UK offered an early form of aid to its colonies in the 1870s, largely for infrastructural projects but the Government’s “responsibility for the development of its colonies on a continuing basis” was first recognised by the 1929 Colonial Development Act (DFID no date). The Act provided regular funds for “the purpose of aiding and developing agriculture or industry” (Morgan 1980: 44). However, this was only presumed to be a short-term measure, since the expectation was that “the colonies should pay for themselves” (Morrissey et al 1992: 3). The Colonial Development and Welfare Act, passed in July 1940, marked a change in British thinking: no longer were the colonies expected to be self-reliant, but it was acknowledged that considerable aid would be needed to improve their standard of living (Morgan 1980: xvi).

The continued importance of colonial links was demonstrated by the fact that in the 1950s over 80% of British aid went to colonies or Commonwealth countries. Until relatively recently around two thirds of bilateral aid still went to the Commonwealth and dependent territories, but the proportion has been falling (Burnell 1997a: 157).

Four UK government departments are currently concerned with aid, the Treasury, Foreign and Commonwealth Office (FCO), DFID and Department of Trade and Industry (DTI) (Morrissey et al 1992a: 3). There has often been tension between the Treasury and the FCO, the former wanting to control spending while the latter was more concerned with serving policy objectives. It seems in the 1960s that the FCO had more influence whereas the Treasury was in the ascendancy in the 1980s (Morrissey et al 1992a: 6). The Overseas Development Ministry founded under Harold Wilson, dealt only with aid in a strictly limited sense. It did not have the remit to influence policies on other aspects of relationships with developing countries – such as trade, access to developed markets, international debt or export licences for arms, and relations with the World Bank were always the remit of the Treasury (Burnell 1997a: 8). Thus the economic

interests of the UK were likely to be strongly reflected in negotiations at the Bank and IMF.

### **Commercial interests and Aid**

There has long been an effective industry lobby on aid in the UK, facilitated by a sponsorship system placing “institutionalised trade associations ... within the machinery of government” (Bose 1991: 133). This takes the form of allocated contacts for industries within the ministry, civil servant secondments to industry and directorships and advisory roles for senior civil servants (Bose 1991: 134).

In the late 1970s, the industry lobby complained that foreign competitors were profiting from aid programmes, an advantage not offered to British firms. The Confederation of British Industry (CBI) proposed that aid should be formally combined with trade to soften credit terms for exports (Toye 1991: 98). This led the government of the time, under Judith Hart’s ministership, to found the Aid and Trade Provision (ATP) element of the aid programme, which was administered by the DTI. Its purpose was to aid new market entry for companies or to retain temporarily endangered markets, amongst other things. Because of its market and trade bias it was criticized for being of no relevance to the poor. By creating it, the Government illustrated a conflict of interests. It had a stated desire to contribute to global development which appeared genuine (for instance, Harold Wilson had founded War on Want) but it also had to consider domestic employment, the demands of the organised labour and thus the needs of the corporate sector (Toye 1991: 101, 122-4).

The desire to ensure that aid benefited UK industry intensified under the Conservative Government of the 1980s, particularly given the economic crisis of the time (Toye 1991: 96-7). Margaret Thatcher (cited in Hewitt and Killick 2002: 186) desired to “give greater weight in the allocation of our aid to political, industrial and commercial considerations alongside our basic development objectives”. This was consistent with the new right ideology, (Byrd 1991: 59) although it apparently overlooked the fact that offering advantages to industry contradicted its commitment to the free market (Hjertholm and White 2000: 83).

Political ideology prevented the provision of aid to Ethiopia during the 1985-86 famine due to the political persuasion of the Marxist-Leninist government (Byrd 1991: 59). Later, in 1990 Chancellor John Major (cited in Burnell 1997a: 6-7) addressed the IMF about the need for reform in exchange for funding, for instance reducing arms spending, as the

Cold War came to an end. Thus, although the amount of funding during the Thatcher Government remained small, and although not an overall tool of foreign policy, it remained of strategic importance (Byrd 1991: 60).

It would be easy to assume that there would be major differences between the two main British parties in their approach to aid and development. However, past motivations may have been different but have led to very similar outcomes. At the time of the 1997 election, it was hoped that the new government would embark on a progressive development programme, apparently signalled by the status of the new DFID with a cabinet-level minister (Curtis 1998: 50) and its much-publicised 'ethical dimension' for foreign policy. However, despite some reforms, the most notable feature in its early years was the acceptance of the basic framework of "traditional British policy towards 'development'" (Curtis 1998: 50).

The 'third way' of the present government, with its full commitment to liberalisation and market delivery is little different from the preceding Conservative policy. Underlined by Tony Blair (Hansard 1997a) when he said that "[t]he last thing that we want is protectionism in any shape or form". This opposition to protectionism and the push for liberalisation (in agriculture as elsewhere) is consistent with IFI policies.

The UK's interest will be to encourage international co-operation and reform in order to promote sustainable economic and employment growth, to remove barriers to investment, to minimize financial instability and to support an open, fair and sustainable multilateral system of world trade based on the WTO (FCO 2003: 37).

The changing emphasis on foreign policy has been described as a parallel to the 'third way' in domestic policies (Brown 2001: 16) in which the Labour government now only makes minor adjustments to neoliberal policies (Peck and Tickell 2002: 382). For instance, the 1997 Labour government abolished the ATP but Baroness Symons (Hansard 1997b) stressed that this did "not preclude deploying development assistance in association with private finance including ... mixed credits" and Baroness Symons added that new initiatives were to include

measures to consult British business on country and other development strategies; to improve the information available to business on trade and investment opportunities in developing countries; to see whether ways can be found to reduce the initial costs and perceived risks for investments which support the aim of poverty elimination; and to ensure that multilateral development projects make full use of the skills of UK business.

Thus neoliberal principles appeared to be embedded in policy (Dixon and Williams 2001: 166) and even the much-touted call for debt cancellation has been dismissed as merely oiling the wheels of neoliberal economic policy and facilitating liberalisation (Watson 2002: 216). For instance, Gordon Brown campaigns for debt relief but imposes huge conditionalities, namely opening economies and reducing barriers to investment. Charlie Kronick of Greenpeace cites this as an example of "spectacularly joined up government, with consistency across Defra, DFID and the Treasury, with the same shared aims of market access and economic growth" (Kronick 2004).

## **UK and aid to India**

Bilateral aid is decreasing as more is channelled through multilateral agencies such as the Bank and the EU (Burnell 1997a: 158). India has officially declared a desire to reduce bilateral aid relations (DFID 2004: 2) and announced that bilateral aid agreements would be limited to the US, Russia, Japan, UK, Germany and the EC Delegation to India (2004: 9). This was possibly due to the disproportionate administrative work implied for India by donors of relatively small sums, or the disproportionate influence those donors have on policy (Lipton cited in House of Commons International Development Committee Report 2005b: 2). The UK has historically been the third largest bilateral donor after Japan and Germany (Thomas 2000: 210).

Figure 13 shows the UK now to be well ahead of Germany as the second largest bilateral donor, and third largest of all donors. India received over 20% of UK gross aid disbursements in 1970, and in the 1980s over 1 billion pounds went to India, but towards the end of the 1980s Japan became the largest donor and remains so (Burnell 1997a: 157-8).

The DFID India programme is the largest to any single country (see figure 13). However, with the change in donor relations announced in 2003, the House of Commons International Development Committee called an inquiry into DFID's India programme.

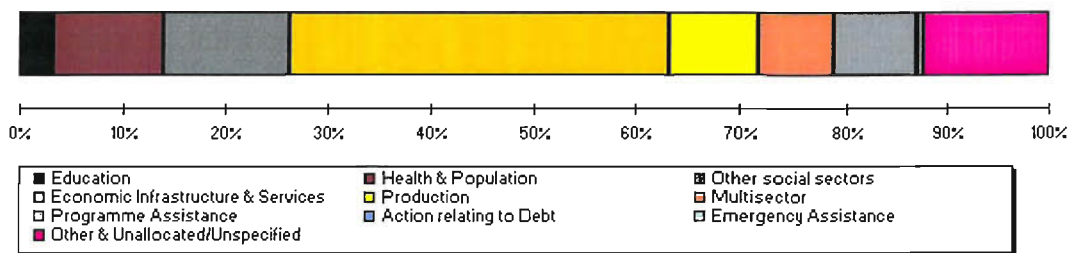
## India

| Receipts                        | 2001  | 2002  | 2003  |
|---------------------------------|-------|-------|-------|
| Net ODA (USD million)           | 1 724 | 1 463 | 942   |
| Bilateral share (gross ODA)     | 55%   | 60%   | 60%   |
| Net ODA / GNI                   | 0.4%  | 0.3%  | 0.2%  |
| Net Private flows (USD million) | 477   | 1 070 | 2 455 |

| For reference              | 2001    | 2002    | 2003    |
|----------------------------|---------|---------|---------|
| Population (million)       | 1 032.5 | 1 048.6 | 1 064.4 |
| GNI per capita (Atlas USD) | 460     | 470     | 530     |

| Top Ten Donors of gross ODA (2002-03 average) (USD m) |     |
|---|-----|
| 1 IDA   | 905 |
| 2 Japan   | 768 |
| 3 United Kingdom                                      | 346 |
| 4 Germany   | 159 |
| 5 United States                                       | 149 |
| 6 Netherlands   | 105 |
| 7 EC  | 79  |
| 8 Canada  | 31  |
| 9 UNICEF  | 28  |
| 10 Switzerland  | 24  |

Bilateral ODA by Sector (2002-03)



Sources: OECD, World Bank.

Figure 13. India ODA summary, 2002-2003 (OECD 2005a)

The DFID's contribution is relatively small, amounting to only 0.06% of national GDP (House of Commons International Development Committee 2005a: 21), which gives little leverage on policy. However, DFID still believes that it can "have an important impact in supporting and lessening the negative effects of necessary reform initiatives" pursued by the Indian government. In addition, DFID is able to offer support for India within the multilateral agencies (DFID 2004: 3,4,11).

The UK has been involved in development work in India since the ODA was created in the 1970s, although the early work was largely project based. However, with the establishment of the DFID in 1997 the UK adopted a sectoral approach, which in 2000 changed to a more state-focused one, with about 50% of the total budget going to national schemes (House of Commons International Development Committee 2005a: 8).

The UK as a donor has been forthright in its advice. Following a review of its aid programme in India, the DFID published a *Country Strategy Report* in 1999, which was the result of consultation in India and the UK (Thomas 2000: 210). The report observed



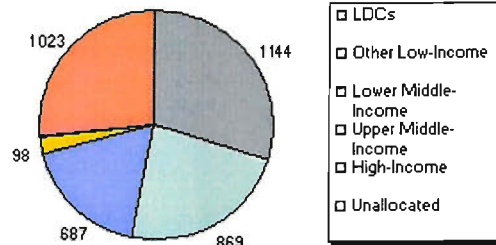
**UNITED KINGDOM**

*Gross Bilateral ODA, 2002-03 average, unless otherwise shown*

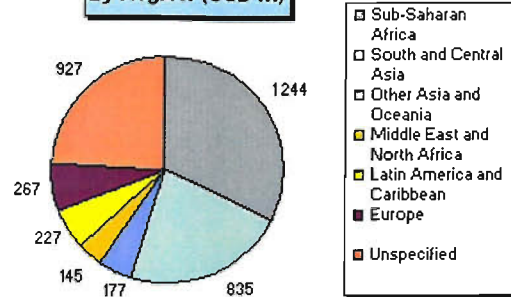
| Net ODA                      | 2002  | 2003  | Change 2002/03 |
|------------------------------|-------|-------|----------------|
| Current (USD m)              | 4 924 | 6 282 | 27.6%          |
| Constant (2002 USD m)        | 4 924 | 5 616 | 14.0%          |
| In Pounds Sterling (million) | 3 282 | 3 847 | 17.2%          |
| ODA/GNI                      | 0.31% | 0.34% |                |
| Bilateral share              | 71%   | 61%   |                |
| <b>Net Official Aid (OA)</b> |       |       |                |
| Current (USD m)              | 494   | 698   | 41.3%          |

| Top Ten Recipients of gross ODA/OA (USD million) |     |
|--|-----|
| 1 India  | 346 |
| 2 Serbia & Montenegro                            | 237 |
| 3 Tanzania                                       | 208 |
| 4 Bangladesh                                     | 188 |
| 5 Ghana  | 130 |
| 6 Afghanistan                                    | 115 |
| 7 Pakistan                                       | 106 |
| 8 Iraq   | 97  |
| 9 Uganda   | 94  |
| 10 South Africa                                  | 87  |

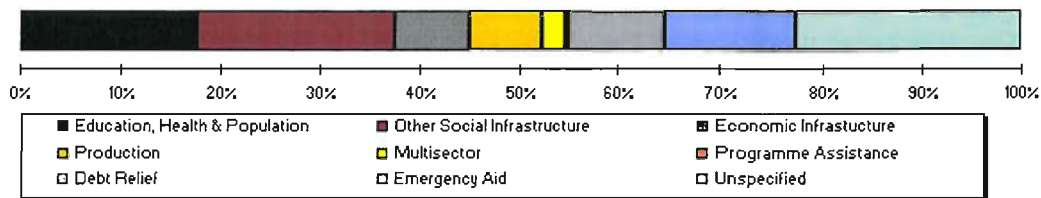
**By Income Group (USD m)** *Clockwise from top*



**By Region (USD m)**



**By Sector**



Source: OECD, DAC.  
<http://www.oecd.org/dac>

**Figure 14. UK ODA summary 2002-2003 (OECD 2005b)**

that India had “to maintain economic reform and growth, increase effective investment in health and education, substantially improve governance and empower poor people to realise their rights” in order to meet the MDGs. It concluded that India was not reaching its economic potential as it remained “one of the most protected economies in the world” and that “enhanced trade and investment is critical to increasing India’s economic growth” (DFID 1999: 7-8).

Like the Bank, the DFID (2004: 8) cite the Five Year Plan as the basis for policy, and one of the aims is the achievement of the MDGs globally (DFID 2004: 8). The *India Country Assistance Plan*, DFID (2004: 7) states that it “will continue to respond to the Indian Government’s requests to support reforms”. Paralleling changes at the Bank, the UK began funding state programmes in India since “influence on policy formation can be potentially greater” (House of Commons International Development Committee 2005a: 22).

## UK and state funding

In July 1999 the DFID agreed with the Government of India that it would build “long-term partnerships with a few selected state governments ...aligning DFID resources behind reforms and progressive pro-poor policies and programmes” (DFID 2001: 5). Criteria for selection of the states to be targeted included having a large number of poor but also a willingness to reform (DFID 2001: 5). This was criticised within India, where some government officials felt that the programme was too limited in scope (Thomas 2000: 210). Even so, as part of the new strategy it was

proposed that DFID work with the World Bank to support a four-year programme of structural adjustment for poverty elimination in Andhra Pradesh to reinforce reforms in the state (DFID 2001: 16).

This marked a change for both the Bank and DFID. The direct funding continues today, and DFID currently funds four states, one of which is AP. They have 4 themes which are intended to maximize poverty reduction: equity, accountability, sustainability and partnerships (DFID 2004: 8-9). AP was considered to be “one of the foremost states in India promoting state level reforms” (DFID 2001: 5) and funding reflected this. Figure 15 is based on DFID information and shows that the proportion of funding to AP, particularly in the years 2001-4 was high in comparison to funding for other states, and at times considerably larger than the national funding.

The UK has often exercised pressure as a bilateral donor to support IFI policies. In the early 1990s AP was charging low tariffs for farm power supplies – whereas the Bank demanded commercially viable schemes which charged market rates (*United Press International* 1994). DFID withheld a portion of a \$75 million package for power sector work, and made it conditional on the Bank agreeing funds – effectively forcing an increase in power tariffs (*United Press International* 1994). This was strategically important since the Bank saw power reform as “the single most important element of structural and fiscal reform in Andhra Pradesh” (*The Economist* 2000). The supporting role of the UK in the power sector has been controversial, given the major international role played by UK corporations in this field (Thomas 2000). On the other hand, it is argued that a

significant proportion of the State budget has been consumed in covering the utility’s financial losses, and in providing heavily subsidised power to farmers. This has squeezed out other spending, including that on poverty reduction programmes (House of Commons International Development Committee 2005a: 34).

|           | National programme: £m. [% of total] | Andhra Pradesh: £m. [% of total] | Orissa: £m. [% of total] | Madhya Pradesh: £m. [% of total] | West Bengal: £m. [% of total] | Total: £m. |
|-----------|--------------------------------------|----------------------------------|--------------------------|----------------------------------|-------------------------------|------------|
| 1999/2000 | 61 [64]                              | 13 [14]                          | 15 [16]                  | 0 [0]                            | 7 [7]                         | 96         |
| 2000/2001 | 54 [51]                              | 20 [19]                          | 20 [19]                  | 6 [6]                            | 6 [6]                         | 105        |
| 2001/2002 | 59 [33]                              | 89 [49]                          | 22 [12]                  | 1 [1]                            | 9 [5]                         | 181        |
| 2002/2003 | 54 [34]                              | 41 [26]                          | 49 [31]                  | 2 [1]                            | 10 [6]                        | 156        |
| 2003/2004 | 79 [40]                              | 85 [43]                          | 12 [6]                   | 3 [2]                            | 18 [9]                        | 198        |
| 2004/2005 | 112 [45]                             | 39 [15.5]                        | 29 [11.5]                | 29 [11.5]                        | 41 [16.5]                     | 250        |
| 2005/2006 | 125 [45]                             | 43 [15.5]                        | 33 [11.5]                | 33 [11.5]                        | 41 [16.5]                     | 280        |
| 2006/2007 | 135 [45]                             | 47 [15.5]                        | 35 [11.5]                | 35 [11.5]                        | 48 [16.5]                     | 300        |

**Figure 15. DFID India Programme budget breakdown 1999-2008 (House of Commons International Development Committee 2005a: 9).**

DFID have described AP as their “flagship” focus state, on the grounds that it had been so successful in policy reform (House of Commons International Development Committee 2005a: 11). The House of Commons International Development Committee (2005a: 41) did not view that entirely positively noting that

AP does not have particularly high levels of poverty. Instead it seems that AP’s reform-minded government and good governance were key factors in DFID’s decision to make the State one of their focus states.

Furthermore the report acknowledged the policy role of the DFID, commenting that “[t]ogether with the World Bank, DFID has been the principal advocate of AP’s government reforms and market-led development” (ibid 2005a: 41).

## How is policy presented as problem solving?

Both the Bank and DFID present their policies as poverty reducing. The arguments explored in chapter two and three highlight the ways in which development policies in general are justified, using the arguments about poverty, growth and liberalisation. It is not so much that the overall approach is presented as superior, rather that there is no alternative.

In support of broad liberalisation as the basis for development, a recent Bank report asserts that “[t]here is a preponderance of evidence in many countries that economy-wide trade liberalisation and openness to trade increases the growth rate of income and output” (Ingco 2004: 5). This evidence suggests that “millions would be lifted out of poverty” via trade reform (World Bank 2002c: xx). More recently the Bank stated that “agricultural sector reforms - in particular global trade liberalisation - will be crucial in giving [the poor] opportunities for better lives” (World Bank 2005a).

DFID are clearly in agreement with the Bank. Being “committed to the rapid liberalisation of agricultural trade” (DFID 2003a: 3), because the “benefits of free and fair trade far outweigh the benefits of aid” (DFID 2005). DFID does qualify their commitment to liberalisation as being based on fair trade and implies the reduction of EU subsidies amongst other things, but nevertheless it remains reliant upon a global market.

The new approach of the Bank, encapsulated by the 1999 initiative on the CDF, promotes IFI policies as being even more appropriate than before. It stresses country specific strategies which are ‘owned’ by the country concerned. James Wolfensohn is credited with having brought about this change “in the way the world's largest development organisation operates, firmly refocusing it on its main goal, that of fighting global poverty” (World Bank 2005c). The Bank states that this “fundamental shift has taken place” and that programs are

now designed by developing countries themselves—comprehensive, home-grown plans structured in a way that enables both donors and recipients of aid to achieve better results on the ground. There has also been a greatly increased focus in the Bank’s lending for improvements in policies and institutions, meaning that aid is used more selectively, and increasingly is focused on countries with strong records for good policy-making—such as Uganda and Vietnam (World Bank 2005c).

### 1.3. How are policies presented as appropriate?

#### How have Bank and UK policies been communicated to the public and wider world?

Increased scrutiny of World Bank activity and a rise in public activism, particularly on an international level, has increased the degree of communication with the public by the IFIs (see Milne 2005: 15). Certainly, it was the SAPs, or their perceived failure, which vastly increased criticism from development NGOs in the 1980s. Pre 1980 NGOs had “typically been supporters of foreign aid” and therefore of the Bank, but as the Bank changed, the NGOs grew in size and scope at the same time and began to engage critically and directly with the Bank (Kapur et al 1997a: 1209). Environmental scrutiny of major projects also intensified criticism and as the Bank’s image worsened over the next decade the need to communicate on policy to redress the balance intensified.

Like many organisations, the Bank has a comprehensive website on which most reports and publications are available. Since 1978 it has published the annual *World Development Report*, which includes the World Development Indicators, forming the broad statistical basis for Bank policies (Kapur et al 1997a: 326). This has served as an update on social and economic development and has usually concentrated on an aspect of global development policy, such as poverty in 1990 and health in 1993. The Bank also produces the *Global Economic Prospects Report*, which is described as their ‘flagship’ publication, and has been an annual feature since 1998 (World Bank 2005b). The report, as the title suggests, tends to prioritise economic growth, trade and competition, sometimes with a poverty or development focus as in 2002 and 2004.

High profile activities of the Bank can be very significant in terms of portraying an image or communicating position or policy. James Wolfensohn, the recently retired Bank President had a reputation for seeking approval from civil society and made efforts, in response to harsh criticism, to “make the World Bank friendlier to external constituencies, notably NGOs” (Boas and McNeill 2003: 149). The latter was a serious concern for academics, journalists and politicians on the right who thought this a sign of weakness. It was under Wolfensohn’s stewardship that the Bank withdrew from the infamous Narmada Dam project in 1993. The reason was not local opposition, but concern about “the international image of the World Bank in important donor countries, in particular the US” (Boas and McNeill 2003: 105). Thus the Bank has had to try and assuage critics, particularly within the donor nations, in order to improve its image. This

has arguably led to a more transparent and responsive Bank, but this will be returned to later in the chapter.

### **The prominence of development in the UK**

The UK, as any donor nation, has direct pressure from its own electorate. Again, it is not just written policy or comment which is important, but the broader signals sent which indicate the significance attributed to an issue. These could include the status of the lead department and the profile of the minister in charge.

Figure 16 shows significant policy indicators such as White Papers on development, and the status of the department responsible. It has been usual for the Labour governments since the 1960s to have an independent department or ministry, usually with a cabinet level minister. This at least elevates the status of international development, although it might be argued that with detachment from the FCO, as with the current DFID, the department loses the powerful leadership of the foreign secretary. When the Conservatives have been in power, the Ministry has usually been reduced to an agency within the FCO.

The choice of minister can also be relevant as it can greatly affect the public status of the issue. The ODM had a high profile when the outspoken Barbara Castle was in charge. When Chris Patten and Lynda Chalker were in post for the Conservative government they also gave a strong domestic and international lead from within the ODA. In the early years of the Blair Government DFID gained a Cabinet Minister with attitude in Clare Short. After her resignation she was replaced by Baroness Amos and then Hilary Benn, both of whom have played a much quieter role.

In terms of visible policy commitment, there have now been 6 white papers on international development, issued in 1963, 1965, 1967, 1975 and 1997 and 2000. Of these, only the 1963 paper was published by a Conservative Government, which might in itself be interpreted as an indication of how important development policy was to the Conservatives. Additionally, writing in 1998, White notes that the most significant in terms of policy change were those in 1965, 1975 and 1997, all of which were issued by recently elected Labour governments (White 1998: 151).

| <b>Government</b>  | <b>White Papers and significant policy indicators</b>  |
|--|--|
| 1963 Sir Alec Douglas-Home assumes leadership of Conservative government | 1963 White Paper (first on international development)  |
| 1964 Labour led by Harold Wilson win election                            | 1965 ODM created, with Minister (Barbara Castle) in Cabinet.<br>1965 White Paper<br>1966 ODA Act<br>1967 White Paper<br>1967 Castle moves on, Cabinet seat lost.   |
| 1970 Conservatives led by Edward Heath win election                      | Function demoted to ODA within FCO   |
| 1974 Labour led by Wilson win election                                   | 1975 White Paper<br>ODM recreated, with Cabinet seat for Minister  |
| 1976 James Callaghan assumes leadership of Labour government             | 1977 creation of ATP<br>1977 FCO assumes representation in cabinet   |
| 1979 Conservatives led by Margaret Thatcher win election                 | 1979 Neil Marten appointed Minister. Development demoted to ODA within FCO.<br>1983 Tim Raison replaces Marten.<br>1986 Chris Patten becomes Minister.<br>1987 staffing levels in ODA reach all time low |
| 1989 Major assumes leadership of Conservative government                 | Lynda Chalker becomes Minister. Links to World Bank and IMF economic reform programmes formalised  |
| 1992 Conservatives led by Major win election                             |  |
| 1997 Labour led by Tony Blair win election                               | Creation of DFID with cabinet post.<br>1997 White Paper<br>Clare Short becomes minister.   |
| 2001 Labour led by Blair returned  | 2000 White Paper   |
| 2003   | Clare Short resigns, replaced briefly by Baroness Amos, then by Hilary Benn.   |
| 2005 Labour led by Blair returned  |  |

**Figure 16. UK development policy indicators (Hewitt and Killick 2002; Burnell 1997b).**

Whilst this might suggest that Labour generally had a better record than the Conservatives, White (1998: 152) goes on to say that closer examination shows that there has been little substantial difference between the two. White (1998: 158) concludes that the major differences in party policies on development post-war have been rhetorical ones. Labour has not shown itself better at resisting the commercial or economic pressures on aid, although it may have had different motivations. The most recent White Paper *Eliminating World Poverty: Making Globalisation Work for the Poor* stresses increasing aid, but also liberalisation.

Blair's Commission for Africa, set up in early 2004 was a public gesture with the support of Bob Geldof and some of the development community (BBC 2004a; BBC 2004b). Highlighting the appalling situation in Africa, which has the countries suffering the highest levels of poverty, probably prepared the ground for the debt cancellation initiatives at the G8 in 2005. Both the Chair of the G8 and the EU Presidency fell to the UK in the latter half of 2005, and they afforded opportunity for the Government to promote its own development policies and targets. The G8, having been initially convened in 1975 to discuss economic challenges, is described as

bringing together the key like-minded players from Asia, Europe and North America... [which] is still capable of setting the agenda thanks to the economic and political weight of its members and their shared commitment to global security and prosperity (UK Government 2005).

Although the G8 made a widely reported announcement to write off African debt, the final communiqué still stressed the need to stimulate growth, "to build a much stronger investment climate", and "to increase ... help to developing countries to build the physical, human and institutional capacity to trade" (G8 2005: 19, 20).

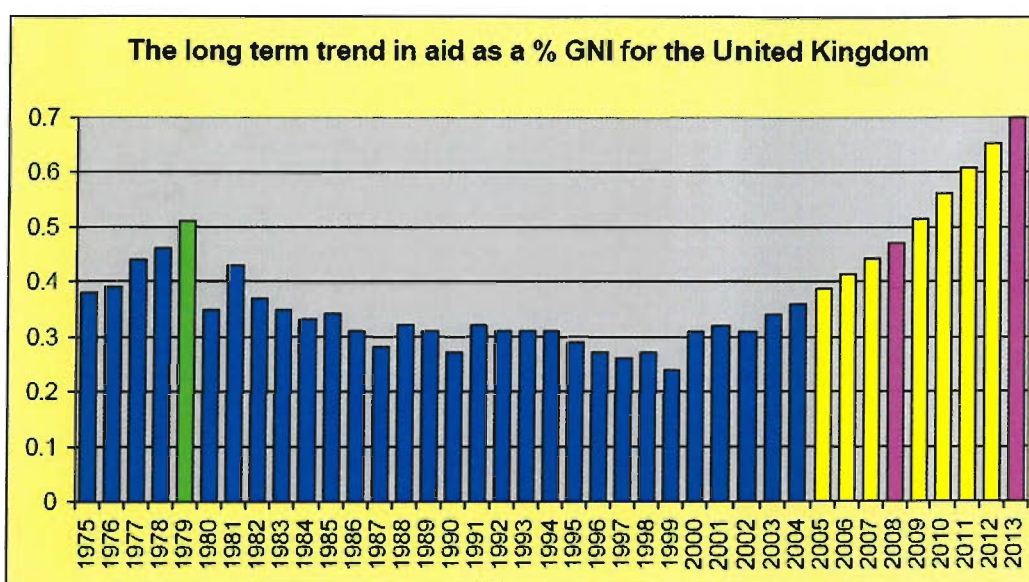
However, public profile is not the same as policy implementation and this has to be considered – arguably the most obvious way is to measure actual aid and development expenditure.

### **UK Aid Expenditure**

Generally greater resources were devoted to aid expenditure under Labour governments. However figure 17 indicates that since the 1960s there has been a general downward trend in aid expenditure as a % of GNP – so as the economy has grown, less has proportionally been spent. There has been a slight increase over the last two years but there was an all time low apparent in 1999, during the current government's leadership.



The UK agreed to the UN 0.7% GNP target but only just exceeded 0.5% in the final years of the Labour Government of the late 1970s. The Conservatives who followed rejected it outright and aid fell in the 1990s (White 1998: 156). Existing aid was targeted more at the poorest countries but was thinly spread and more heavily tied than any other major donor. In more recent years both the Liberal Democrats and Labour parties have reaffirmed commitments to the UN goal but have, until this year, pushed the deadline for compliance further forward (Morrissey et al 1992a: 9). The first Blair government prioritised aid effectiveness over amount, acutely aware that maintaining the proportion of aid required a real increase over time (Whaites 1998).



**Figure 17. UK Aid as % of GNP, actual and projected (Development Initiatives 2005)**

However, now there is an EU wide commitment with the 15 member states including the UK promising to “spend at least 0.7% of their ... budgets on aid by 2015” (Benn 2005). The UK has pledged to reach the 0.7% target by 2013 (see Annex II G8 2005). Whether or not the targets will actually be reached remains to be seen.

From the pattern of past aid spend (rather than the currently proposed one), it would seem that party politics has a more limited impact on development policy than might be expected. The few peaks in aid spend have been associated largely (but not exclusively) with Labour. Labour has certainly been prepared to make formal statements about policy in the various White Papers and this has been mirrored in the higher status given to the department dealing with overseas aid under Labour. It is certainly true that current initiatives would seem to indicate a greater commitment to international development.

However, when it comes to policy content there is still a heavy reliance on trade, markets and the private sector.

### **How do the Bank and UK present policies as appropriate?**

In keeping with the idea of ownership, both DFID and the Bank claim to be following the lead of the Indian Government. This is in keeping with the Bank's belief in a holistic long-term strategy; the country in the lead, both "owning" and directing the development agenda, with the Bank and other partners each defining their support in their respective business plans; stronger partnerships among governments, donors, civil society, the private sector, and other development stakeholders in implementing the country strategy; and a transparent focus on development results to ensure better practical success in reducing poverty (World Bank 2004c).

The Indian Five Year Plan is the basis for policy, but DFID notes that the first theme of the plan is high economic growth with "an ambitious target of 8% per year" (DFID 2004: 4-5). Similarly, the Bank stresses poverty but that it is "to be reduced ... through the implementation of policies that encourage growth" (World Bank 2004d: 15).

The suitability of policies for India will be analysed more closely in following chapters, however it is appropriate to note a major interest of India at this point, which is to be seen as a modern economy, a regional power and economic heavyweight. The Head of Economic Development at the German Embassy in Delhi (cited in House of Commons International Development Committee 2005a: 24-6) observed that India preferred to talk about economic cooperation rather than aid for development. India has long been a donor in terms of expertise and supplied strategic regional financial aid to neighbours, in particular in the December 2004 Tsunami disaster. This is in part linked with the desire to reduce the number of bilateral aid donors to India, particularly those without a strategic interest, and with India's desire to become a permanent member of the UN Security Council (ibid).

#### **1.4. What has been the effect of challenges, on these actors and their policies?**

The criticisms of the way in which the debate is framed have been fairly well explored in chapter three. In this section the legitimacy of the Bank and the UK within their constituencies will be considered in particular.

The first major criticism is that the development policy as pursued by the UK, reflects the interests of the US. It has been said by prominent academics, that “the big themes of British aid policy have followed the international trends set by the US, the World Bank and the International Monetary Fund” so “development policy is set by the donor community led ... by the US” (Morrissey et al 1992a: 1-2). Mark Curtis argues that the desire to recreate the Empire status of the UK, drove it into the special relationship with the US, and led to it mirroring or supporting US policy aims (Curtis 1998: 17).

This has also been said of Bank policy on development, which is in turn used to promote US policy. The degree of influence that the US has at the Bank has resulted in it being thought of as a “surrogate” for US leadership on development. The Bank gives strong ideological leadership and members of the Western Alliance have little room for manoeuvre - the UK in particular if it wants to retain its special relationship, in particular as its influence in Europe declines (Morrissey et al 1992a: 9). Direct influence by the UK has been modest and it has apparently been “content to follow the lead of the American government” (Byrd 1991: 70). This can of course, as with the 2003 attack on Iraq and earlier events, be taken as evidence to suggest that the UK is effectively putting foreign policy development in the hands of the US (Brown 2001: 31). The behaviour of the UK in relation to the US meant that

Britain and the United States [were] two of the leading states responsible for the maintenance and deepening of poverty in the Third World as a product of their fundamental domestic and foreign policy priorities. Indeed, the US and Britain are leading historical architects of the international economic order as well as its current champions (Curtis 1998: 65-6).

The UK was supportive of the much-criticised structural adjustment policy, which was ensured the application of “traditional Western economic policies” in the South (Curtis 1998: 23). However, increasing criticism of the SAPs, after a series of exposes and events in the mid 1970s began to suggest that aid could have a negative effect. In addition, the consideration of infrastructural projects being funded by official assistance brought environmentalists into the arena (Broad and Heckscher 2003: 721-4). The resultant change of policy, which included the use of EIAs and allegedly bestowed ownership on the country of origin, are dismissed as being inadequate. Just three of the major criticisms of the Bank will be considered below.

Firstly, it is still asserted that despite the changes, the Bank has strict conditionality requirements which leave the pattern of structural adjustment funding largely

unchanged. For instance, the Structural Adjustment Participatory Review Initiative Network (SAPRIN 2004) wrote to James Wolfensohn saying that the

Bank continues to insist on adherence to far-reaching liberalisation, privatisation, deregulation and related adjustment policies as conditions of its loans to borrowing countries. And, in spite of the crushing toll that these policies have taken on the productive capacity and social fabric of these countries, the PRSPs that the Bank promotes have proven to be facades for the continued imposition of structural adjustment rather than serious, participatory attempts at poverty reduction (SAPRIN 2004).

In any case, it is pointed out, that funding remains contingent on a good policy environment, which is a judgement ultimately made by the IFIs rather than being within the control of the recipient nation (van Diesen 2000).

Secondly, the Bank's reputation for a new, participatory and inclusive approach, said to be a result of Wolfensohn's leadership, has also been the subject of controversy. SAPRIN was itself an initiative between NGOs and the Bank, the intention of which was to evaluate SAPs via a global network of NGOs, also involving government representatives. The Bank made much of this and other examples of dialogue as a way of dismissing public protests. However, the groups involved in SAPRIN were disillusioned when the World Bank showed no sign of acting on the results of the research, which showed that policies were not having a poverty reducing effect in the countries under study. Doug Hellinger of SAPRIN (cited in Engler 2004) wrote that "[t]here's no question any more that these policies don't work, but [the Bank is] simply not willing, or able, to act".

Thirdly, the participatory nature of the Bank should extend to its consultations with developing nations, resulting in the 'ownership' of the development programmes. Arthur van Diesen (2000) of Christian Aid pointed out that "[o]wnership is another term ... popular with bilateral and multilateral agencies" which is taken to mean countries of the South are in control of their policies and catering for local needs. However, van Diesen continues that "[t]he use of the term ownership by the donors is as problematic" as partnership. It is questionable if the government in the recipient nation should 'own' the process, or if the entire country (including civil society representatives) should. Particularly important, "ownership can be a euphemism for governments having internalised the priorities and analysis of the donors" (ibid 2000). Food policy analyst Devinder Sharma (2005) dismisses the notion that India takes the lead on development policy, citing high level involvement of the Bank, IMF and external consultants in the

Planning Commission and the fact that the IFIs had copies of the Five Year Plan before public release.

The nature of the Bank President is symbolic of its ethos. As James Wolfensohn (a Clinton appointee) prepared to step down in 2005, the nomination of Paul Wolfowitz as his successor caused some shock. Mokhiber and Weissman (2005), two Washington-based activists particularly critical of IFI policy, bemoaned Wolfowitz's lack of development experience. The new President, they say "is likely to intensify rather than reform the failed World Bank corporate-led model of development". David Woodward (2005) of the London-based New Economics Foundation sees Wolfowitz's involvement as the "beginning of a process of cooption ... to the agenda of the US far right".

This move towards the right might be seen as consistent with the convergence of Bank policy with the IMF and WTO. The IMF and WTO have clear priorities in macroeconomic stability and liberalisation respectively, which is not necessarily consistent with the Bank's stated primary interest in poverty reduction. The result of coherence seems to be a convergence of policy around growth and liberalisation (WTO, IMF and World Bank 2003).

It seems that the Bank and IMF closely follow the WTO. In 1994 at the first WTO summit that trade ministers requested the three to cooperate and streamline global economic policymaking. In response to this, at the 1999 Seattle ministerial meeting, the WTO, World Bank and IMF issued a *Joint Declaration on Coherence*, indicating a commitment to trade liberalisation as the mechanism for global economic growth and stability (Bretton Woods Project 2001). This was raised again at the Doha meeting in Autumn 2001 because the challenges faced by WTO members in the global economy can no longer be addressed through a trade-only regime, the document states that the WTO "shall continue to work with the Bretton Woods institutions for greater coherence in global economic policy making" (Bretton Woods Project 2001).

Believing that "[l]iberalisation will bring aggregate global welfare gains resulting from comparative advantages exploited on the open world market" (OECD 2000:14), the OECD seeks "to promote greater policy coherence" (Faure 2003: 1) which seems destined to offer less discussion and flexibility. Ironically, as noted before, there seems ample evidence to suggest that the UK and US were both selective in their choice of economic model in the past (Chang 2002b: 22-32).

Devinder Sharma is pessimistic about the implications of increasingly coherent IFI policy for India, believing that

the plan of the WTO, the Bank and the IMF is to destroy the self-sufficiency of countries so that [they] have no option but to be dependent on the food exporting countries (Sharma 2005).

Sharma cites as evidence a report from the Institute for Food Policy Research and Information (IFPRI) (dismissed by Sharma as an off-shoot of the Bank) which predicts that the world in 2020 will have a deficiency of food output in some areas, but that the surplus in the West would meet this shortfall (Sharma 2005).

The July framework (WTO 2004) is intended to guide the current faltering Doha Round. The behaviour of the Indian Government during the negotiation of this framework is seen as more evidence of Fund and Bank influence over government policy. Although the initial reaction to the draft from the Indian delegation was negative, after consultation with Prime Minister Singh it was accepted with hardly any changes. Apparently Singh instructed him to follow the lead of the Bank (Sharma 2005). Retired Professor of Politics at JNU Aswini Ray sees the Bank and the Fund as “the major instruments of economic policy now in India as they are the ones who are monitoring and calibrating the conditionalities of the economic agenda” (Ray 2005).

The move towards state funding as supported by the Bank and DFID has exaggerated the differences. The tendency for a few such as AP to attract most aid means that some states are neglected. Half of India's poor live in Uttar Pradesh and Bihar, which receive little investment and aid. However, without significantly reducing poverty in these two states there would seem to be no chance of India meeting the MDGs. The DFID notes that increasing inequality is becoming a major problem and Bihar and Uttar Pradesh are relatively poor within India (DFID 2004: 2-3).

The House of Commons International Development Committee (2005a: 42) expressed concern at the “paucity of evidence” that DFID aid investments have delivered pro-poor results and in particular that the decision to move towards state funding was right, or that the choice of state was correct. They state that

questions remain about DFID's original decision to invest so heavily in a single state. It is not clear why the focus state with the lowest proportion of income-poor people has received the majority of DFID's development assistance. The Department's allocation of assistance seems even more extraordinary if it is considered that AP has, for some time, been the focus of considerable attention from other donors (ibid: 42).

It is true that there are smaller scale projects in which the Bank and DFID fund community initiatives, or target the poorest groups, but these are outweighed by the predilection for economic reform, the funding of infrastructural projects and both donors' commitment to the liberalisation of agricultural trade.

## **1.5. Summary**

This chapter was primarily concerned with the impact of two extremely important actors within the orthodox international development community, particularly with regard to their impact on aid policy.

The nature of aid, and assumptions inherent in its application, will affect its implementation and impact. For instance, the characterisation of aid as an apolitical exercise ignores political interests and presents the act of aid giving as a technical one. On the other hand, and rather in contraction of this, the acceptance of tied aid reveals much about the donor's interests in pursuing national foreign policy objectives, or in supporting (in the case of the Bank) macro policy objectives of the international community. The purchase of expensive technology from a donor nation using that donor's aid offers clear economic advantage to the donor but has a questionable impact on poverty. Alternatively, if a donor makes no ties it would suggest that the interests served are more likely to be those of the recipient. Also significant is the level to which international targets on aid financing are met, which might be a stronger measure of commitment than the rhetorical commitment to poverty reduction.

The World Bank's history, structure and operation show the degree of US influence in aid and development policy, historically and currently. The SAPs although apparently in response to the debt crises of the 1970s, really represent the execution of neoliberal policies at the global level. It was through SAPs that the Bank formalised the requirement for liberalisation and privatisation on the South, justifying this with the discourse of liberalisation as the pathway to development. India, being a recipient of Bank funds was required to liberalise and had conditionalities imposed from the early days. Today, it would seem that the IFIs enjoy a more embedded, strategic role, with the IMF and Bank exploiting high-level contacts within the Indian government and having involvement in national policy generation and review.

The UK also played an important role in the foundation of the Bank but had a previous history of involvement in aid to its colonies. Not surprisingly then, it has a long-

established relationship with India. As demonstrated, regardless of governing party in the post war period, the UK Government was always aware of the commercial possibilities of aid, and at pains to exploit them. As neoliberal policies intensified under Margaret Thatcher's leadership, commercial interests gained more importance, even as aid spend declined. This policy was defended on the grounds that trade would bring greater benefit to the South than aid ever could.

The Bank and UK show a high degree of coherence in their policies and in the communication of them, as exemplified by their defence of AP as a target for state funding. This offers the two greater influence over policies, and also means that any conditionalities would have greater impact. Although both say that they selected states which have the greatest problems, the reform orientation of the government is paramount, and critics consider this to be the only criterion. The case of AP would suggest that this is true, being by no means the poorest but with a willingness to reform. Thus the two reiterate the problem-solving nature of the approach as being poverty reduction achieved by liberalisation.

In terms of communicating the discourse, the Bank has been forced to greater transparency and increased communication by critics. Greater levels of activism have increased the need to defend policies, or justify them clearly in advance. The current Labour government responded similarly in promoting the importance of international development by establishing a new department, raising the minister responsible to cabinet level and most recently launching the Africa Commission with the high profile support of Bob Geldof.

In the case of the Bank, this continued pressure and criticism resulted in a change of approach. The CDF and country specific strategies were presented as a better form of aid and development. They were to be tailored to the needs of the recipient nation or state. Additionally, both the Bank and DFID argue that they simply follow India's Action Plan, meaning therefore that India owns the development strategy. However, it would seem that the Bank at least is involved in the generation of the Action Plan and that makes the claims of following India's leads rather less plausible. Since the UK also asserts that it expects more influence at the state level, this implies a greater policy role. A coherent case is made to suggest that the US dominates the Bank, and that the UK follows the lead of the Bank, as is indicated by the similarity of their statements on the topic, so that they present a united front on development policy.



The assertion by the Bank that its current policies are tailor-made and significantly different to the SAPs is hotly disputed by a broad coalition of actors. The critics suggest that the changes have been superficial, at the level of discourse, rather than being fundamental policy or paradigm shifts. It may also be, as van Diesen (2000) asserts, that the recipient country has internalised the discourse of the donors, so that the interests of the recipient becomes consistent with that of the donors. Whichever, the priority given to liberalisation and privatisation remains, and trade stays central to the development strategy and discourse. This is illustrated by the strong coherence of the policies and discourses of the different IFIs.

The next chapter will consider the impact of the discourse of development on agriculture, with particular reference to India and AP.

## **Chapter five: Agricultural liberalisation and orthodox development discourse.**

Having considered the broad arguments about international development in its historical context, and the roles of the UK and World Bank, this chapter will examine questions related to agricultural liberalisation and its role in development. This represents an exploration of what might be termed a sectoral discourse (Schmidt 2002: 235-7) and its relationship to the orthodox approach to international development.

This will entail examining the main elements and how they relate to those of the orthodox development approach. The aims of agricultural liberalisation overlap considerably with those of broader economic liberalisation, which is to increase economic growth, and thereby average incomes, which are presumed to have a beneficial effect on poverty, thus the elements discussed so far remain centrally relevant. However, there are additional issues of food supply and modes of agricultural production, which will also be considered here. This means firstly exploring the elements of food security and modernisation of agriculture, and their effects on policy formulation.

Also important is the introduction and examination of the roles of other significant actors. In the case of agricultural liberalisation the WTO, EU, US and business sector are instrumental in driving and developing policy. A consideration of their impact and their use or, or impact on, the elements of the discourse will allow an investigation of the way in which these actors present the liberalisation of agriculture as problem solving.

Finally, a review of the major challenges will be made, which will allow a comparison with those criticisms made of the orthodox approach, and similarly of the impacts of those criticisms and the generation of alternatives.

# **1. How is the policy of agricultural liberalisation structured and presented?**

## **1.1. How are the additional elements of food security and modernisation of agriculture structured?**

The discourse of agricultural liberalisation overlaps considerably with that of international development. Some common strands will be highlighted and the specific features of the discourse will be considered in the following sections.

### **Food security, self sufficiency and sovereignty**

Governments represented at the World Food Summit in 1996 pledged the “political will and ... common and national commitment to achieving food security for all and to an ongoing effort to eradicate hunger in all countries” (World Food Summit 1996). Food security is defined by the FAO (1999) as “access to adequate food for all households at all times”. This specifies household food security, as distinct from national, regional or global food security. India for instance, has a grain surplus, and arguably national food security, but there are still many households suffering chronic food shortage. Similarly, the 1971 Bangladesh famine happened in a year with bumper crops when floods destroyed jobs, leaving many without money for food purchase although there was no national shortage (Thomas 2001: 575).

The notion of food security originally assumed that reliance on imported foods carries too high a risk, implying that national food security equated with self-sufficiency. The group of mainly developed net food-importing countries, such as Japan and Switzerland place strong emphasis on certain aspects of food security, arguing that a degree of self-sufficiency also limits the negative effects of global market instabilities and price changes (FAO 2001). In stark contrast, the Cairns Group of exporting countries believes liberalisation of the agricultural sector is essential to maintain adequate food supply. Their concept of food security involves “the ability to purchase food”, assuming that self-sufficiency policies can slow down economic growth, reduce incomes and fix resources in unproductive sectors of the economy (FAO 2001). The Government of the Philippines agreed that “trade [would] allow domestic food consumption to be met more cheaply by less costly imported supplies” (Philippine Peasant Institute 1999).

Consistent with this changed notion of food security, the US position during the GATT negotiations on agriculture were based on the

idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security by relying on US agricultural products, which are available, in most cases, at much lower cost (US Agriculture Secretary, John Block, 1986, at the start of the Uruguay Round, cited in Bundell 2002: 8).

The World Bank reflects this position, believing that

[t]he world food problem stems from insufficient purchasing power in the hands of poor people, not from global constraints on aggregate food production (World Bank 2002g: 12).

Clare Short (2000) on behalf of the DFID agreed that “old ideas that focus on national self-sufficiency in food rather than national capacity to purchase the food that is needed, are deeply outdated”. In current discourse therefore, there is a consensus that food security must focus on “people’s ability to obtain food, rather than simply on food production, which is a necessary but not a sufficient condition for tackling hunger” (DFID 2002b: 7). Similarly, Cargill’s Vice President commented that the “real benefit from enlarging agriculture’s role in the global economy is greater food security” (Raisbeck 2003).

Expectations in the South have changed too, as the Indian Agriculture Secretary (cited in Shiva 2002: 25) said in 1991 that “food security is not food in the godowns [warehouses] but dollars in the pocket”. Thus it could be argued that as a result of a change in the presentation of the problem, the least developed countries have changed from being relatively self-sufficient to being net food importers.

In reaction to this tendency to redefine food security as a market-linked concept, the peasant farmers’ organisation Via Campesina (2003), coined the term “food sovereignty”. This not only prioritises local production to increase food availability, but also demands the rights of governments to control agricultural policies, rather than being forced to accept global norms via the WTO. As the concept of food security becomes more ambiguous, it is perhaps useful to have food sovereignty as an alternative, while bearing in mind its broader policy implications.

Clearly, the assumptions made about food security will affect the policy response. Food security might be the ability for a household to purchase sufficient and appropriate food, which for most people in the North is the case. In the South it could be conceived as either the ability to produce or to purchase food. If, as is increasingly the case with policy makers, it is only the ability to purchase which is the issue, then the policy response will be skewed towards increased global trade and liberalisation. The reliance on the

liberalisation of agriculture to solve hunger is a close parallel of the reliance on liberalisation to solve poverty.

## **Modernisation of agriculture**

As in the discourse of international development, there is a presumption in favour of modernisation, the adoption of Western methods and new technologies. A report from the UN (1951a: 53) observed that often “the yield of agriculture is very low because of ignorance of modern techniques”. The belief was, and is, that modern methods, such as mechanisation, increased farm size and the use of chemical inputs, can increase output. “Small farmers—or ‘peasants’ have been expected to go the way of the dinosaurs” (Rosset 1999), and modernisation is synonymous with large scale, high-input farming.

Crop scientist Norman Borlaug observed that the global promotion of modern methods only became popular after 1945, despite the fact that “[b]y the 1930s, much of the scientific knowledge needed for high-yield agricultural production was available in the United States”. Increased demands on US food supplies during the war led to the application of these new methods and then to the initiation of “technical-agricultural assistance programs in a number of countries in Europe, Asia, and Latin America” (Borlaug 2000: 3). One such programme was the Green Revolution of the 1960s.

The term Green Revolution was coined by William Gaud, Secretary of the US Agency for International Development (USAID) in 1968 (Swaminathan 2000). It described the development of high-yield hybrid seeds via traditional plant breeding techniques, and facilitated the spread of modern agriculture with a reliance on synthetic inputs and mechanisation (deGrassi and Rosset 2003: 6). Like Gaud, Borlaug (2000: 4) believed that the

breakthrough in wheat and rice production in Asia in the mid-1960s, ...  
symbolized the process of using agricultural science to develop modern  
techniques for the Third World.

The crop research was coordinated by the Consultative Group on International Agricultural Research (CGIAR) and initially funded by the Rockefeller and Ford foundations, later broadening to donors such as governments, the UN agencies and the World Bank (Schmidheiny 1992: 123). The Green Revolution brought about change in Indian agriculture in the 1960s and 1970s, as new crop varieties became the basis for increased grain production, particularly of wheat and rice. High-yielding varieties were said to have

improved the lives of most people on this planet through enhanced and affordable food supply, boosted incomes for millions of farmers, and reduced the incidence of famine and starvation (Prakash 2001).

However, Borlaug (1970) foresaw a need for ongoing research and development beyond the Green Revolution to keep pace with agricultural demand. In his Nobel Prize acceptance speech he characterised the problem as a struggle between “two opposing forces, the scientific power of food production and the biologic power of human reproduction” (ibid). By 2000 Borlaug believed that the “[m]ushrooming populations and inadequate poverty intervention programs [had] eaten up many of the gains of the Green Revolution” (Borlaug and Dowswell 2000).

Sekhar Natarajan, Managing Director of Monsanto Chemicals India, described the introduction of genetically manipulated (GM) crops as the “next Green Revolution” (cited in Various 1999: 44). Andrew Young (cited in deGrassi and Rosset 2003: 71) was American Goodwill Ambassador for Biotechnology, and believed that GM was “going to make a green revolution in Africa”. GM crops have genetic material inserted from other species or organisms to create desirable characteristics, such as resistance to herbicide, as in the case of Roundup Ready cotton, which allows application of herbicide to fields without affecting the crop. Alternatively, Bt cotton has the ability to produce its own pesticide, a chemical produced by a bacterial gene in the plant. Both are said to reduce the need for chemical application to crops (PAN 2002: 3). GM varieties of other crops such as rice and maize have also been produced. Borlaug (2000: 21) believes that these prove

the world has the technology – either available or well advanced in the research pipeline – to feed on a sustainable basis a population of 10 billion people.

Thus GM is promoted as an answer to world poverty and hunger. Former US President Jimmy Carter (cited in Bond 2000) stated that if imports of GM seeds and products are regulated unnecessarily,

the real losers will be the developing nations. Instead of reaping the benefits of decades of discovery and research, people from Africa and Southeast Asia will remain prisoners of outdated technology.

DFID documents also show continued confidence in the role of technological solutions in agriculture. There is a need for “continuing investment by the public and private sectors in agricultural research and new technologies” (Clare Short 2000). DFID (2002a: 10) assumes that “emphasis [on] agricultural technology and marketing institutions” will result in a “productivity increase in key export crops and livestock products ... essential

to ensure the profitability of these products for producers". Peter Rosset, food activist and rural development specialist from Food First, a think tank based in California, observes that

[t]he American model of large scale, mechanized, corporate agriculture is held out as the best, if not the only way to efficiently feed the world's population (Rosset 1999).

Modernisation in the US has led to small and family farms being replaced over decades by commercial concerns and now only 8% of farms account for 72% of farm sales. Most government support goes to farms producing maize, sorghum, wheat and a few other crops and will therefore benefit the largest, often corporate, producers, including land owners such as the "fourteen members of Congress that crafted the [Farm Bill]" (Mittal 2002).

GM is presented as good for the environment. Director of the Agricultural Biotechnology for Sustainable Productivity, at Michigan State University, Catherine Ives (cited in Bond 2000) said, "[t]he whole point ... is to make land more productive so we don't have to damage the environment". Agreeing, Director of Biotechnology at the University of California at Davis, Dr. Martina McGloughlin (cited in Bond 2000) reinforced this by saying that "[u]nless we will accept starvation or placing parks and the Amazon Basin under the plow, there really is no alternative to applying biotechnology to agriculture".

Global hunger is thus presented as a result of low productivity, the solution to which is the modernisation of agriculture. Modern methods will increase productivity, which will increase food availability and earnings from trade, which will lead to economic growth and increase the purchasing power of the whole population. Thus the problem of hunger is characterised as one of output and method, rather than one of distribution.

## **1.2. What actors have influenced policy with regard to the liberalisation of agriculture?**

### **WTO and AoA, and fair trade**

For the last 20 years agricultural trade has been "one of the most prominent and acrimonious issues on the world trade agenda" (Trebilcock and Howse 1999: 246). Agriculture featured in global trade negotiations for the first time in the Uruguay Round of GATT, within the Agreement on Agriculture (AoA). Previously, agriculture had been a special case, largely excluded by GATT, for instance because of the perceived

importance of self-sufficiency in food in relation to national security (Trebilcock and Howse 1999: 246).

The preamble to the AoA, (which came into force on 1 January 1995)

recognises that the agreed long-term objective of the reform process ... is to establish a fair and market-oriented agricultural trading system ... [and] to reduce support and protection in the areas of domestic support, export subsidies and market access (WTO no date b).

Ex-Director General of the WTO Mike Moore (2002b) urged a phase out of EU and US subsidies since

fewer subsidies and less protection in agriculture alone would return about five times all the overseas development assistance combined and eight times more than all the debt relief granted thus far.

Moore's successor Supachai Panitchpakdi (2003) reiterated the need for trade facilitation saying that "the Doha Development Agenda ... put ... development at its core" adding

that trade is a vitally important element in any program for development, as it can deliver benefits to developing countries worth many times more than all the development aid they receive.

The negotiation of agricultural subsidies at the WTO has meant a differentiation between trade distorting and non-trade distorting support. Trade distorting measures (which affect market prices, such as export subsidies) are in the so-called 'amber box' and should be phased out, those which should be limited form the 'blue box' and those which are not related to production, and therefore not limited, form the 'green box' (WTO no date a). Non-distorting support measures are welfare payments or other payments which are thought to be 'decoupled' from market prices (Baffes and de Gorter 2005).

However, the discussions over subsidy reduction have been linked to 'new' issues such as competition and investment, and reduction in agricultural subsidies in the North was conditional that some agreement was reached on these issues. Disputes over subsidy reduction in the EU and US, plus the linkages to the new issues were said to be the reason for the collapse of the Cancun meetings in 2003. Panitchpakdi (2003) believed the real losers at Cancun were the poor, since "opening markets for trade in manufactured products, services and agriculture can provide the key for global economic growth and development". The July framework (WTO 2004) is said to have salvaged the Doha round, but at the time of writing no final agreement has been reached.



The WTO demands full compliance of its members, a system far less flexible than the GATT. Countries are therefore committed to liberalise production and trade, although with some concessions. The AoA (WTO no date b) states it should provide for “non-trade concerns, including food security and the need to protect the environment, and provides special and differential treatment for developing countries”. For instance, developing countries can maintain support to agriculture if it does not exceed 10% of the total food output, although IMF or Bank conditions may also affect subsidies (ActionAid 2002: 4). The Doha Ministerial declaration reiterated that countries must be able to “effectively take account of their development needs, including food security and rural development” (WTO 2003: 15). The DTI (2004: 82-4) agrees that there is a need for special and differential treatment for developing countries but only with a strict time limit.

Under the AoA, for the first time, there is an attempt to impose international standards on agriculture and trade. The stated aim is to create a fair global market, but problems within the negotiation of the AoA, and the failure of the Cancun talks illustrate the complexity of the issues and the level of disagreement. In parallel to the AoA negotiation, the EU is reviewing the Common Agricultural Policy (CAP).

## **EU and subsidies**

The EU is the world’s biggest importer and second largest exporter of foodstuffs, and as such has a leading role in trade policy within the WTO (EC 2004: 24). Its share of trade in principal commodities (see figure 18) gives an idea of its relative importance and its strength and size as a trading unit makes it very influential at the WTO.

Marshall Plan funds dedicated to regenerating European agriculture reinforced the intensive farming model to increase food production. To encourage production, controls such as export subsidies and import restrictions became the norm and this formed the basis for the CAP (Tarrant 1980: 95; EC 2004: 6). The CAP set support prices for principle products, with tariffs on imports to remove price advantages, and the proceeds were intended to go towards agricultural improvement. The French feared that it would encourage the generation of surpluses if prices were guaranteed (Kindleberger 1993: 453) and by 1970 their fears were vindicated as there were already regular surpluses. Where shortages did arise (as in the case of maize) farmers were offered greater subsidies to increase production. The CAP became a web of intervention, levy and tariff which was not only complex but extremely expensive (Holderness 1985: 31-2). The budgetary implications of this level of support for Europe-wide agriculture are massive –

following reforms in 2001 the total annual cost was still around 43 billion Euro (IEEP 2002: 13-14). Evolving over years, the CAP is now a “sizeable collection of separate regimes or packages of policy instruments” (IEEP 2002: 13).

|                                   | Percentage of total world trade |                |
|-----------------------------------|---------------------------------|----------------|
|                                   | Imported by EU                  | Exported by EU |
| <b>Total cereals (excl. rice)</b> | <b>3.2</b>                      | <b>10.2</b>    |
| of which wheat                    | 3.5                             | 13.0           |
| Wine                              | 27.9                            | 60.6           |
| <b>Total milk</b>                 | <b>3.0</b>                      | <b>28.0</b>    |
| Butter                            | 11.1                            | 20.2           |
| Cheese                            | 11.6                            | 40.8           |
| Milk powder                       | 2.9                             | 30.3           |
| <b>Total meat (excl. offal)</b>   | <b>6.6</b>                      | <b>19.1</b>    |
| of which beef and veal            | 4.5                             | 13.3           |
| of which pig meat                 | 3.0                             | 51.2           |

**Figure 18. EU and trade in principal agricultural products (1997) (IEEP 2002: 5)**

The CAP has been reformed at various times throughout its existence, but was due, within the context of the AoA renegotiations, to be reviewed by 2006. The 1997 UK White Paper confirms the Government's support for fundamental reform in order that developing countries may have greater access to EU markets (Goudie 1998: 181). A more recent DFID (2003a: 3) report on agriculture and trade states that it is “committed to the rapid liberalisation of agricultural trade”. However, this and a later report from the DTI (2004: 88-9) stress the reduction and reform of trade-distorting subsidies, but the maintenance of non-distorting supports.

## **US and food aid**

The World Food Programme (WFP 1998: 7-8) considers food aid to offer a means of escape from the poverty trap that hunger causes. In areas of chronic food shortage food aid can offer food security via food for work programmes and encourage self-reliance within communities. Most commonly, food aid is thought of as an emergency response to acute hunger as in the case of West Africa in July 2005, but it is also used in the absence of emergency, or as a balance of payment transfer. The food might be intended

for consumption by the hungry, but depending on the agreement it can also be destined for sale in the country of destination or beyond (FAS/USDA 2004) (Oxfam 2005: 6).

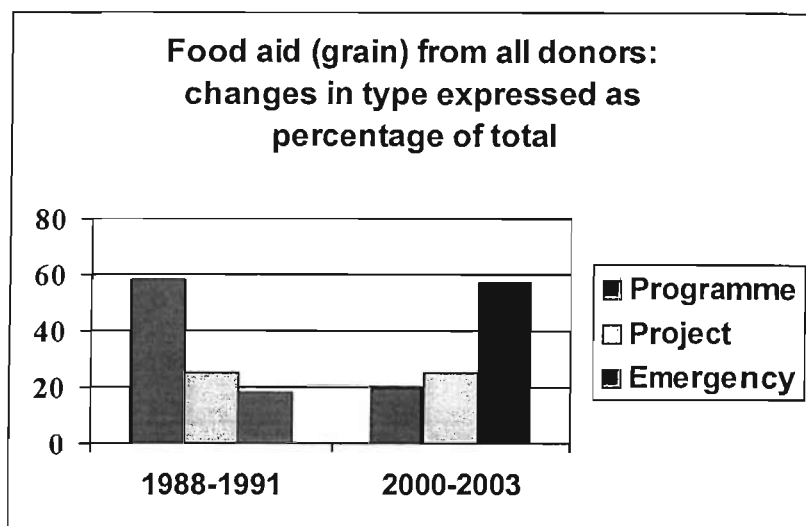


Figure 19. Food aid as type (Oxfam 2005: 7).

Food aid can thus be categorised as programme (ie to help with a state's balance of payments), project (supply to the chronically hungry) or emergency (supply to the acutely hungry) (Oxfam 2005: 7). For decades, bilateral programme aid accounted for almost all food aid, but this has changed over the last 15 years, with emergency food aid now dominating.

The US formalised food aid under the Agriculture, Trade and Assistance Act of 1954, popularly known as PL 480, although it is also provided for under other programmes such as the Food for Progress scheme intended “to support democracy and an expansion of private enterprise” (FAS/USDA 2004). Food aid was usually “closely related to the surpluses in the donor countries” so although frequently consisting of staples, it was partially dictated by supply (Tarrant 1980: 234-5). Cereal import figures in developing countries for the years 1960 – 1976 show an increase, as food aid decreases, suggesting a replacement of aid with trade. This seems consistent with the original text of PL 480 (cited in Tarrant 1980: 237), which aimed

to promote the economic stability of American agriculture and the national welfare, to make maximum efficient use of surplus agricultural commodities in the furtherance of the foreign policy of the United States and to stimulate and facilitate the expansion of foreign trade in agricultural commodities in the United States.

Encouraged by the US, other countries signed the 1967 Food Convention, which created a mixture of multi and bilateral food aid programmes (Tarrant 1980: 233). Food

aid was rather sceptically regarded in Europe, and considered a support for wheat producers masquerading as development aid. Despite this, the convention was signed and grain importing countries were committed to grain food aid, part of a package negotiated within the trade liberalisation discussions of the Kennedy Round of GATT (Tarrant 1980: 243-5).

The intention of food aid was to prime new markets for imports, although the wording of the law later changed, ostensibly to focus less on surplus disposal and more on the solution to hunger or malnutrition. However the original intention clearly remained in the minds of legislators, leading to the comment as late as 1973 that "USDA considers PL480 to be what it was legislated to be namely a trade development and surplus disposal operation" (Paarlberg cited in Tarrant 1980: 240). This need to dispose or sell surplus was reflected in a more recent statement by President Bush (cited in Mittal 2002) when he said that

Americans cannot eat all that America's farmers and ranchers produce. And therefore, it makes sense to sell more food abroad. Today, 25 percent of U.S. farm income is generated by exports, which means that access to foreign markets is crucial to the livelihood of our farmers and ranchers. Let me put it as plainly as I can: we want to be selling our beef and our corn and our beans to people around the world who need to eat.

The US is the major donor to the WFP, but donates almost entirely in kind, rather than in cash, and it continues to provide much bilateral food aid, rather than channelling it through multilateral agencies (Oxfam 2005: 11). The maintenance of food aid in this form benefits the major food corporations and traders. For instance, USAID spends over \$1 billion annually on food for aid purposes, specifying that the food must be from the US. Thus food aid offers support for farmers with a human face, and may also offer a way of disposing of GM crops that are not welcome in the EU (Patel and Delwiche 2002: 4-5).

## **Business**

Scientists and company representatives working on the new high yield varieties see technological development and modernisation as the way to solve the problems of hunger, poverty and environment (Prakash 2001). Thus the promotion of GM crops and trade is, as far as the private sector is concerned, a pathway to sustainable development which will close the gap between hunger and food supplies (Bruno and Karliner 2002: 97). Thus, the aims of the corporations are presented as being consistent with the

South, the hungry and the poor, at least in terms of agricultural liberalisation and sustainable development.

A small number of corporations are active in all parts of the global food business, controlling everything “from land to seeds, crops to chemicals, processing to marketing” Madeley (Various 1999: 2). In the US, food processing companies have most influence, whereas in the EU the retailers drive the industry (Tudge 2003: 302). They are influential in policy formulation. For instance, the former Vice President of Cargill, Dan Amstutz, is said to have drafted the original text of the AoA when he worked in the office of the US Trade Representative (USTR) (Shiva et al 2003: 7; ActionAid 2005: 25).

The food corporations make the case for modernisation of agriculture. In the McKinsey Quarterly, Cargill (cited in Kneen 1999: 22) described the problems of West African agriculture, where “farming productivity is minimal” as a “result of food crops being produced in near-subsistence conditions on small family-owned or leased plots with scant investment in seeds, fertiliser, pesticides and machinery”. To improve agriculture, farmers would “have to shift to hybrid seeds, use fertilisers and other inputs and improve production methods”, which might be a huge task but “agricultural development also holds great potential for foreign businesses looking for long-term investment” (McKinsey Quarterly cited in Kneen 1999: 22).

Monsanto is a major force in the global food industry. Biotechnology, including the development of GM crops, was identified as having vast potential and it is a particularly dynamic sector. The last 15 years have seen many mergers and takeovers to form a small number of vast corporate players:

The degree and pace of concentration ... is astounding. Syngenta is the top company in the world in agrochemical sales, and third in seed sales.

Monsanto/Pharmacia ranks second in both (deGrassi and Rosset 2003: 72).

In order to protect investments in global technologies, the TRIPs agreement was implemented under the WTO as of the 1<sup>st</sup> January 1995. This moved responsibility for patents to the WTO from the ‘weaker’ World Intellectual Property Organisation (WIPO). The rationale was that TRIPs would prevent the pirating of products outside the West, as had happened previously, particularly in the computer industry. Furthermore, it was argued that uniform patents would benefit the South, saying that investment in a country would increase if companies knew that their patents were safe, and that this would allow a gradual diffusion of technology. Thus the protection of intellectual property, which in the agricultural sector means seeds and associated products, would also create an

investor-friendly environment. As Du Pont's Ralph Hardy (cited in Neale 1999: 116-7) put it

the competitive position of US industry in biotechnology would be improved if there were international conventions that would provide greater uniformity with respect to patentability and property rights.

Thus the corporations support modernisation, liberalisation of markets (with protection for technologies) and promoted the idea that this will benefit the South. Jean-René Fourtou, Chair of the International Chamber of Commerce, claimed that greater export and market access was essential and only the achievement of this, particularly in the case of agriculture will allow "what is officially known as the Doha Development Agenda [to] live up to its name" (Fourtou 2003).

Within the context of sustainable development, the international business community stated that "economic growth and environmental protection are inextricably linked" and Schmidheiny (1992: xi, 178) of the BCSD had sought participation since "governments can provide the framework in which business can get involved in the process of sustainable development". Thus the major corporations associated themselves closely with sustainable development. Their involvement, it is claimed, meant that documents prepared for the Rio conference "declared that free and open markets are necessary prerequisites for achieving sustainable development" (Bruno and Karliner 2002: 5). Former Monsanto CEO Robert Shapiro, claimed that sustainable development would "be a primary emphasis" in everything that the company would do (Bruno and Karliner 2002: 97).

### **1.3. How is the liberalisation of agriculture presented as problem solving?**

There are conflicting views on how best to reduce hunger, its linkages with poverty and how policy decisions should be made. The World Bank (2002g: 12) states that "the food problem is a poverty problem". Nobel Laureate Norman Borlaug (2000: 10) observed that "[p]overty is the main impediment to equitable food distribution" going on to add that this "is made more severe by rapid population growth". This linkage is used to justify the pursuit of orthodox development policies, in particular that of trade-led growth, as the route to eradicate hunger.

The agricultural sector attracts particular attention because of its relative importance to the economies of the South. "Three quarters of the world's poorest people – the 1.2 billion who live on less than one dollar a day – live in rural areas" (DFID 2002a: 6).

Agriculture is thus a key sector for poverty analysis, and policy initiatives, not least because food accounts for a greater share of poor people's expenditure or work. Agriculture is the main source of income for the poor in the South and farm incomes impact on the rural economy (McCulloch et al 2001). It accounts for a greater proportion of GNP in lower income countries, and therefore agricultural change is seen as a potential route out of mass poverty (DFID 2002a: 16), apparently offering the easiest expansion and fastest return, meaning most rapid increase in GNP (Bhagwati 1966: 147). Even in the 1960s the view was expressed that there was "no longer any room for doubt whether agriculture can be a powerful engine of growth" (Schultz 1965: 5).

To achieve this growth farmers are expected to engage in the market, that is to produce for export since "increased international food trade at market-determined prices could be a tremendous boon to developing countries" (Schmidheiny 1992: 142). Thus the business community promoted the idea of food trade being the best way forward for the South, reliant of course on the argument that increased GNP is desirable and that aggregate welfare gains will translate into gains for the poorest. The aggregate gains will be generated by exploiting comparative advantage since "if resources are allocated to activities in which they are most efficient relative to the available alternatives, then aggregate welfare will increase..." (OECD 2000: 14).

The increase of productivity via modernisation is claimed to offer the way forward, because "[s]trong agricultural growth has been a feature of countries that have successfully reduced poverty such as India" (DFID 2002a: 11). Research suggests that a one per cent increase in agricultural productivity was associated with a reduction by between 0.6 and 1.2 per cent in the proportion of people living on less than \$1 a day (ibid: 11).

GM crops are essential to modernisation, since "global food insecurity will not disappear without new technology; to ignore this reality will make future solutions all the more difficult to achieve" (Borlaug and Dowsell 2000). Although most work so far has been on cash crops such as cotton, maize and soya, there is the firm belief that food staples will also benefit from GM intervention, although most important is the fact that [j]udicious application of biotechnology can boost rural incomes and thus improve the purchasing power of a marginalized section of the developing societies (Prakash 2001).

The stress on agricultural growth is consistent with the orthodox approach to development, believing that economic growth will solve the problem of poverty. As with

standard development theory, this is heavily reliant on technology to increase output, facilitate trade and thus lead to growth.

#### **1.4. What have been the challenges to liberalisation of agriculture as a pathway to development?**

The following sections will examine the failings or criticisms of the key elements as outlined above.

##### **Challenges: Food security and the market**

The current push for agricultural liberalisation is said to be the way to ensure that the poor are more likely to attain food security via the purchase of foods. However, the WFP (1998: 1) considers the linkages between hunger and poverty to be largely misunderstood. For instance, it is generally assumed that hunger is the result of poverty, whereas poverty is often the result of hunger, since the weak are less likely to be able to work. As a minimum, the WFP (ibid) states that there has to be the realisation that there is a two-way relationship.

Even so, it remains that food security is seen by the orthodox community as achievable by increased income to allow purchase of food. This assumes that the liberalisation of agriculture will increase the food supply, that the reform of the global trading system will facilitate the global market, and that the market will enable poverty reduction.

##### **Liberalisation will increase food supply for the poor and improve the lot of farmers**

Commenting on the desirability of dependency on food imports and the upward trend in agricultural exports from the South, Rubens Ricuperro (cited in Christian Aid 2001) speaking as Secretary General of UNCTAD described it as “one of the darkest stories of the last 25 years”. He feared that the strategy to steer away from self-sufficiency and towards engagement with the global market was going to worsen the situation for the poor and vulnerable.

There is evidence to support his concern. In Cambodia the commodification of food sources (such as fisheries) reduced domestic food supplies (ERA 1998). Similarly, in Mexico regulatory changes were made in preparation for the AoA, resulting in food



consumption levels dropping by 30% (Murphy 1999). Patnaik (1999: 383) notes that in India successful agro-export drives have reduced the production of food per capita and resulted in a decline in terms of trade as food exports lost value against manufactures. This meant less food and increasing hunger, or increasing debt, or both. In India the growth of certain crops has been encouraged, by the market, lending institutions or government. For instance, cotton attracts credit and offers resources and training opportunities, whereas local food crops do not, or do so to a far lesser extent. In the Warangal region of northern AP the percentage of land under commercial cotton production has increased from 0.1% in the 1980s to 35% in 1998 (Murali 2005). In Gujerat in the 1980s the World Bank encouraged forestry, meaning that many farmers planted productive agricultural land with eucalyptus and other fast-growing trees. This not only meant that food production was decreased, but employment plummeted – there was far lower labour demand for tree-care, and where agriculture continued, other cash crops such as cocoa and sugar replaced local food crops, thus reducing food supply (Mukherjee 2002: 306).

Export markets for primary agricultural products are “notoriously unstable” (Tarrant, 1980: 81). Being dependent for a large proportion of income on a small number of commodities increases the risk for the national economy and the farmer. Additionally, the prices of commodities have apparently been fixed by the Northern countries (Wilkinson 1996: 258) but commodity pricing is not dealt with by the WTO (Khor 2001: 51) and therefore not subject to liberalisation. However, farmers in the South are encouraged to cultivate commodities for the world market, and competition is intensified. For instance, Bank loans funded Vietnam to triple its coffee production, and it became the world’s second largest producer. However, the global price of coffee collapsed, meaning many of the twenty million farmers dependent on coffee found themselves in fear of their future (Hines and Shiva 2002). The income from export crops can also be relatively low. Shiva (2002: 24-6) cites an example of flower cultivation that generated only enough to buy twenty five percent of the food that could have been grown on the same land under traditional cultivation.

Even the World Bank (2001: 143) acknowledges that there will not be uniform benefits from liberalisation, admitting that reforms might “have adverse distributional consequences ... in particular, some segments of the population may be temporarily thrown into unemployment or poverty”. The DFID (2002b) too notes that “[g]lobalisation and trade liberalisation bring both benefits and risks for poor people and for hunger reduction initiatives”. The most vulnerable groups are those already disadvantaged, with gender, literacy, land ownership, employment status, ethnicity and caste all closely

associated with poverty and exclusion. A 1994 survey (cited in McCulloch et al 2001: 56-7) showed that 68% of Indian landless wage earners were poor, as were 51% of members of scheduled castes and scheduled tribes, and 45% of households where no one was literate. There was also a correlation between higher poverty levels and low female literacy, and poverty was particularly prevalent where there is female head of household.

The benefit to small farmers from liberalisation is also far from clear. Low world food prices can be advantageous to importing nations, and there are a number of very low income countries with low agricultural capacity which benefit from cheap food imports (IEEP 2002: 31). However, cheap imports can undermine local producers. EU beef 'dumped' in Southern Africa, pushed prices down, threatening communal cattle farming which also happened to be supported by the EU (Curtis 1997: 11). Surpluses are linked to both dumping and food aid, both of which can have negative impacts on the South. Firstly, by lowering the world price of products, secondly by the lower prices making it more difficult for Southern farmers with no or lesser subsidy to compete, and thirdly by changing consumption preferences away from local goods.

Nevertheless, the World Bank (2005a) maintains that "[g]rowth in agriculture has a disproportionately positive effect on poverty reduction" but adds that the key is to ensure "coordinated, global trade reforms if we are to help the rural poor".

### **The reform of the AoA will create a fair global market**

The AoA is currently being reviewed, "driven by what is known as the Doha Development Agenda" (Panitchpakdi 2003). However, a report by the NGO Norwegian Church Aid (2005: 9) states that "[t]he rules governing trade in agriculture have never been fair – by any standard", and there is doubt about the proposed changes and if they can have a positive impact on the South and its farmers. It is not certain that the AoA can be sufficiently altered to create a global market in which farmers in the South can properly compete, or if there is really the political will to pursue these changes. Another NGO briefing describes the AoA as "effectively ... a bilateral agreement between the US and the EU imposed on other WTO member countries" (ActionAid 2002: 4).

Waldon Bello (2003), academic and activist from the Philippines disputes the notion of the Doha Round as being one of development. Corporate Observatory Europe, a think tank critical of trade policy writes that the "Doha Development Agenda" title was first used by EC officials and has since been "uncritically" reproduced in articles and

speeches by an “alarming number of commentators”. The “Commission and ... its trade arm”, promotes it at every opportunity, but it “has no basis whatsoever in official WTO texts” (CEO 2003).

Subsidies remain controversial within the Doha Round. Many Southern governments are not prepared to reduce subsidies, or agree to new issues being discussed, when the EU and US continue to support farmers to a massive extent. The 2002 US Farm Act increased subsidies to farmers by around 80% on the previous 1996 Act (Mittal 2002). Lord Haskins (cited in Wastell and Elliott 2002), a leading voice of agricultural reform in the UK, condemned the bill as “hypocritical and very unhelpful for the Doha world trade process”. The Cairns Group warned that the increase “threatened efforts to reduce agricultural subsidies worldwide” (BBC 2002).

However, it is claimed that most northern support has been moved into the so-called green box (EC 2005; Baffes and de Gorter 2005), although this arguably merely legitimises OECD agricultural subsidies. The defence is that green box payments (welfare payments or environmental initiatives) have been ‘decoupled’ from trade and do not influence market price (Jawara and Kwa 2003: 26-7). However, they continue to offer support which cannot be replicated in the South. Green box payments would be allowed, but would be difficult to implement. Aimed at individual farmers, they demand literacy and a comprehensive bureaucracy to administer. Additionally, countries such as India, reliant on the agricultural sector for a large part of their income, lack the public funds to support their farmers to the same extent as the EU or US (ActionAid 2002: 1).

Despite the differences in the degree of support, the EC states that Indian agricultural subsidies are a problem, restraining the rural economy “by a high degree of government intervention”. The extension of “liberalisation to agriculture is the key to accelerating agricultural growth, and to drawing excess labour into value added rural industries” (EC Delegation to India 2002: 11-2).

Devinder Sharma (2005) is highly critical of the way that green box supports are allowed and others not. Subsidies to farmers in India have traditionally been for inputs, power, water or credit. But these are disallowed by the Bank and WTO, while Northern farmers still get millions of dollars each year. Sharma is one voice in a strong lobby for flexibility of policy for countries to provide domestic support and other regulations to protect the livelihoods of small-holders and promote food security (Madeley 2000a). India has demanded protection for agriculture, claiming this is only fair when Northern subsidies are taken into account (FAO 2001) and this has the support of various alliances of small

farmers, grassroots groups and NGOs (Bundell 2002: 19). A development box proposal at the WTO contained exemptions such as the flexibility to impose tariffs on key products and safeguard against cheap imports, or other concessions on domestic supports (FAO 2001). It could enable developing countries to choose which mix of policies would best achieve their food security needs and allow them to prioritise tackling hunger and poverty (Bundell 2002: 9). At the Doha meeting the development box was rejected, but measures for special and differential treatment were agreed. Whether or not this will be adequate remains to be seen.

The World Bank (2005a) believes that the “[h]igh protection of agriculture in industrial countries was the main cause of the breakdown of the Cancún Ministerial Meetings in 2003”. Bello (2005) believes it was the intransigence of the EU and US to move on subsidies, while demanding greater access to markets in the South. Robert Zoellick (2003), at the time still US trade representative, considered the failure to be due to a “politics of protest” which divided the WTO into “can-do and won’t-do” liberalisers, adding that “the US will not wait: [and] will move towards free trade with can-do countries”. Others, such as Christian Aid and Bello believed that no deal was better than a bad deal, while Martin Khor, of Third World Network based in Singapore considered the failure a “victory for campaigners” for trade justice (Christian Aid 2003). The July framework has reached some agreement and has apparently salvaged the Doha round, with the US and EU making more commitment to subsidy removal, although without clear deadlines.

In response to the 2004 July framework and other discussions, a broad coalition of mostly Indian NGOs called for a repudiation of the ‘AOA paradigm’ and an exploration of “an agriculture trade agreement derived from the basic objective of protecting and furthering the interests of their peasantry and preserving the food sovereignty of their peoples” (NGO statement 2005). There is widespread disbelief that the global market can enable food security for the majority.

### **The market can enable poverty and hunger reduction**

To some extent, the wide acceptance of the need for liberalisation, and the implied inevitability of globalisation, would seem to justify the discourse. Even the representative of a left-leaning farmers’ union acknowledged that reforms are inevitable, although adding they must be at a slower and “more acceptable pace” and offer the vulnerable – such as the peasant farmers, protection (Shukla 2005).

The dominance of the private sector, particularly the major corporations, over all aspects of food production and transport has given rise to the term agribusiness. This might be defined as the way

in which the activities of farming are integrated into a much larger industrial complex, including the manufacture and marketing of technological inputs and of processed food products, under highly concentrated forms of corporate ownership and management (Whatmore cited in Guthman 2004: 121).

The control of the global agribusiness by a small number of companies has long been a cause for concern. The Canadian National Farmers' Union (NFU (Canada) 2000) has reported that the "market is failing farmers, it is failing all around the world, and it has been since at least the late 1970s". However, it adds that simply removing subsidies will not change the fact that the corporations effectively control trade and prices. They do so at a policy level, as author Brewster Kneen (cited in Various 1999: 3) notes that when US trade negotiators speak, "it is often Cargill's policy they will be expounding, Cargill's business they will be protecting". As mentioned above, Cargill was influential in drafting the AoA and elsewhere plays a major role in trade policy. Former Chairman and CEO Ernest Micek was on President Clinton's Export Council, just one of various Cargill-government links mentioned by Corporate Watch (2000: 4-5), an NGO campaigning for corporate responsibility.

The further protection granted to corporations via the TRIPs agreement is seen as another method of determining who has power over farming and the global food production system (Action Aid 2001: 2). Granting intellectual property is a "familiar method for converting public goods into private ones", (Brush, 1996) and TRIPs would allow not only the patenting of biotechnology products, but existing seeds and plant extracts.

The corporations also exercise direct financial influence. The NFU ((Canada) 2003) cites constant farm-gate prices as retail prices have soared as one symptom of corporate control. Michael Hart, farmer and Chair of the UK Small and Family Farms Alliance (SFFA) agrees that prices are rarely low because of surplus produce, but generally because of price setting by actors such as the grain merchant Cargill (Hart 2003).

A reliance on the inputs supplied by a small number of companies consolidates the role of the same corporations. The NFU ((Canada) 2003) suggests that the dominance of these companies does not and will not allow competition in a global market, but simply

ensures that the few can monopolise the agribusiness to maximise profits. If this is the case, it again questions the wisdom of market reliance as a strategy to reduce hunger and poverty. As environmentalists Bruno and Karliner argue, the provision of basic food to the poor is not "traditionally profitable business" (Bruno and Karliner 2002: 46) and commercial agriculture must therefore look beyond the poor for its market.

The Indian experience supports this view. K. Varadharajan (cited in Devraj 2001) observes that "transnational corporations control most international trade and it is difficult for India's long-protected, mostly marginal farmers to compete with them". This has resulted in little or no agricultural growth over the last 50 years while there has been demonstrable growth in seed companies and agrochemicals (Ramanjaneyulu 2005). The Indian NGO coalition opposed to the trends within the WTO believe it to be "predicated upon the preservation and perpetuation of the domination of the agribusiness of the North" (NGO statement 2005).

Thus there are a wide range of arguments and evidence which suggest that the market cannot deliver food security to the South. Small producers in the North already find themselves under the control of major corporations, who exploit their market position to serve their own interests.

### **Challenges: agriculture and modernisation**

The argument for modernisation in agriculture depends on a number of linked assumptions. Firstly that hunger is persistent because productivity is low, secondly that small farm agriculture (which predominates in the South) is particularly unproductive and thirdly that GM crops will increase productivity.

#### **Food supply is inadequate**

Increasing productivity is the stated aim of global agricultural policy and modernisation is assumed to achieve this. However, the need for increased productivity is disputed. Food production over the last fifty years has increased and kept ahead of population growth (Halweil 2002: 57). The WFP (no date) states that "for decades there has been enough food in the world to feed everyone", and the US NGO Food First (1998) stated that there is sufficient food produced to feed everyone 3,500 calories per day.

Nobel laureate Amartya Sen (cited in Thomas 2001: 575) agreed that hunger is caused by not having access to food, rather than a lack of it. On the one hand this could be

argued to support the orthodox view that increasing income, via economic growth, is the correct strategy. On the other, it fuels the argument that the problems of poverty and hunger are deeply rooted in the structural relationships between North and South, or rich and poor, and that a technological answer (such as GM) would not achieve substantial change (deGrassi and Rosset 2003: 10). Devinder Sharma (2005) sees the North-South relationship as indicative of a global trend, where “food will be produced in one part of the world” while “the rest of the world will produce crops which meet the luxury requirements of people in the western countries”. According to Sharma, this “is the paradigm advocated throughout the world by the Bank and other donors, and AP is a classic example”.

### **Land consolidation will increase productivity and food supply**

More specific is the assumption that the small farm agriculture, reliant on low inputs, which predominates in India and the South, is unproductive. However, Peter Rosset of Food First cites a survey of practice in the US in 1992 which shows that this is mistaken. Figure 20, taken from Rosset’s paper indicates a largely inverse relationship between farm size and output per acre. Figures here have been calculated on complete output rather than on a crop by crop basis, as is the norm. Other surveys, using the same approach, or a calculation of labour efficiency rather than land efficiency, show similar results (Norberg-Hodge et al 2002: 75).

Rosset concludes that “[f]or every country for which data is available, smaller farms are anywhere from 200 to 1,000 per cent more productive per unit area” (Rosset 2001). Whilst the studies do not show simple linear relationships, overall there is a trend towards smaller holdings having the largest output per unit of land. Part of the explanation could be that small farms may specialise in higher value crops. But there are other reasons: small holdings are more likely to be farmed by families and large farms by low-paid contract workers, large farms may leave tracts of land fallow and have only one crop on any piece of land, whereas multi-cropping is a standard feature of small holder agriculture (Rosset 1999). Evidence from AP confirms that small farms are more productive than large commercial concerns, particularly when all aspects are considered – environment- friendliness, quality of food produced, livelihood and social structures (Ramanjaneyulu 2005).

However, the presumption remains that large farms offer economy of scale and increased productivity. Productivity is also linked to seeds and input, and the express intention of both the Green Revolution and GM crops was to increase crop output.

However, the record of the green revolution itself is disputed and GM poses similar problems.

| <b>Median Farm Size Category (Acres)</b> | <b>Average Gross Output (\$/Acre)</b> | <b>Average Net Output (\$/Acre)</b> |
|--|---------------------------------------|-------------------------------------|
| 4  | 7424                                  | 1400                                |
| 27                                       | 1050                                  | 139                                 |
| 58                                       | 552                                   | 82                                  |
| 82                                       | 396                                   | 60                                  |
| 116                                      | 322                                   | 53                                  |
| 158                                      | 299                                   | 55                                  |
| 198                                      | 269                                   | 53                                  |
| 238                                      | 274                                   | 56                                  |
| 359                                      | 270                                   | 54                                  |
| 694                                      | 249                                   | 51                                  |
| 1364                                     | 191                                   | 39                                  |
| 6709                                     | 63                                    | 12                                  |

**Figure 20. Farm Size versus Output in the United States, 1992 (Rosset 2001).**

### **GM crops and modern methods will increase productivity**

The green revolution crops created significant increases in productivity, for instance in rice and wheat in Asia (see Conway and Barbier 1990: 21). However, the gains were not global. Utsa Patnaik (1995: 418), economist at Jawaharlal Nehru University (JNU), Delhi and environmentalist Vandana Shiva (1991) argue that within India, the impact was uneven, producing gains for the affluent irrigated farmlands of the north and east (and the mostly commercial farmers) while neglecting the poor.



There were additional problems. The new hybrid crops (mostly staples) required large inputs of fertiliser and pesticide, which in turn increased the potential impact on human health and the environment. There is evidence that over time inputs have had to increase, as soils have become degraded and pests more resistant (deGrassi and Rosset 2003: 17; Shiva 1991). Sharma describes this as the 'collapse' of the green revolution in India. This external input-dependent model of farming was initially welcomed and there were some successes, but India is now suffering reduced levels of output and widespread environmental degradation (Sharma 2005). The new crops also had an indirect effect on crop diversity and diet as income from particular crops rose. Wheat was more profitable and often replaced the pulses which had formed the main source of protein for the poor (Patnaik 1995: 146-7; deGrassi and Rosset 2003: 10).

GM threatens the same problems of exclusion, inequality and rising cost. The industry has concentrated on commodities such as cotton, rape and maize, while research into seeds for dryland agriculture has been lacking. This, Sharma says, is folly; since output in irrigated areas has reached a plateau and "the future of farming lies in the drylands" (Sharma 1999: 6). Drylands account for approximately sixty percent of India's total land area (WRI 2003). They are potentially productive but delicate ecosystems which rely on scant rains for plant growth and where the UN recommends measures to combat soil erosion and degradation. Meanwhile, commercial crops are being encouraged everywhere, including in the drylands. Bt cotton made some gains, however, there is other evidence that yields have declined relative to inputs, so making the crops more expensive and potentially unsustainable (deGrassi and Rosset 2003: 17-8). A report from Pesticide Action Network (PAN 2002: 3) reviewed the performance of GM cotton world wide. Round-up ready cotton, far from reducing inputs of herbicides has, even in the US, led to increased sales of the Monsanto-produced glyphosate. Generous application of the chemical kills other plants and impacts on biodiversity, while application at the wrong time can damage the cotton itself. Bt cotton contains *Bacillus thuringiensis*, which is commonly used in organic farming as a pesticide. Its presence in Bt cotton means that pests build up resistance to it and that has a negative impact on both GM and other cotton.

The introduction of GM crops in AP has been highly controversial. GM seeds are sold as part of a package, with the tailor-made inputs produced by the same companies. Both are sold on the world market and are therefore subject to price fluctuations. Additionally, the pests have become resistant to the pesticides, increasing the necessary dosage and thus cost of production, while also increasing the chances of crop failure (Bennett 2001). There have been additional complications, such as the unscrupulous practice of

'spurious' seeds and inputs, with local suppliers encouraging farmers to use bogus products or unnecessary applications to increase their own sales. This is argued to be a side effect of liberalisation of the seed and agriculture industry (Christian Aid 2005: 26). A greater reliance on synthetic inputs increases costs and the need for cash or credit, but poorer farmers with less reliable harvests find themselves in a downward spiral of reducing incomes, reducing cash availability and reduced production (Brahme 2002: 112-3).

The trend to agricultural liberalisation put pressure on farmers in AP and elsewhere in India to embrace the newest technologies, to maximise profit and to produce for export. However, the implications for food security and beyond do not appear to be as positive as suggested.

### **What has been the effect of challenges?**

There are very strong arguments and evidence to challenge the wisdom of agricultural liberalisation as providing food security. However, the effect of those challenges is rather limited. The strongest challenge is from those countries and organisations demanding fair markets, with fair access to Northern markets for Southern products. This is best illustrated by the continuing problems within the WTO Doha round talks, as many Southern governments have felt that their interests were not being properly catered for. It remains to be seen what the actual outcome of this will be, but the trends of continued farm support in the US and EU do not bode well. This is reinforced by the involvement in the food supply chain of a small number of corporations whose interests would seem to be served by the policies of the US, EU and WTO.

Similarly, on the aspects related to modernisation of food, there are strong arguments which challenge the popular wisdom that global food supplies are inadequate, and that therefore land consolidation, economies of scale and new technologies such as GM crops will supply the answer. Again, this seems to reflect the interests of corporations involved in agricultural production, rather than those suffering chronic or acute food shortage.

It would seem that the most likely effect is that at the level of discourse rather than policy. By changing the definition of farm supports, the EU and US can ensure the persistence of the current policies, while being able to explain that they no longer offer trade-distorting subsidies.

## 1.5. Have alternatives been posed or emerged?

### Alternatives to the orthodoxy: sustainable agriculture

The application of sustainable development to agriculture raises many questions. Firstly, whether the current model of agricultural liberalisation is any different from orthodox development, and secondly, to what extent 'modern' large scale commercial farming with high external input (HEI) is sustainable (Pretty et al 1995), depending of course on the economic and ecological environment.

If the current policy of agricultural liberalisation is considered within the framework similar to that put forward earlier (see figure 7, page 76) it can be argued coherently that it represents, in most cases the weak or treadmill approach. The demand-driven, export-oriented, modern agriculture advocated by the IFIs, the aim of which is primarily to increase GDP, would appear to be consistent with the treadmill view of development. The key point here is that the treadmill and weak views of sustainable development still prioritise economic growth above all else, and this tends to be growth based on profit maximisation. Modernisation and liberalisation generally encourage water and energy use and are therefore high input pathways. Susan George, activist and author, wrote in 1986 that the

energy and capital-intensive food system model, expressly geared to consuming enormous amounts of grain and industrial products, [which] the US is trying to inflict upon the rest of the world (George 1986: 27).

In contrast, low input systems such as low input rice cultivation in Bangladesh is around 15-25 times more energy efficient than high input US grown rice (Pretty 2002: 67-8).

The sustainability of the orthodox approach to agriculture is questionable on two levels. Firstly, at the farm level, HEI agriculture implies high inputs such as of fertilisers and pesticides, the associated issues which have been touched upon earlier. It also implies high energy use. Energy inputs per hectare for maize production in the US increased fourfold from 1945 to 1985, while output increased by slightly less (Lang and Heasman 2004: 236). At the same time, the consumption of meat increased and more maize and fodder crops were being used to feed livestock (Nierenberg 2005). There are also issues relating to the impact of trade at the global level. Increased trade requires increased long distance transport, which is in itself problematic, being dependent on fossil fuel use and potentially increasing carbon emissions. UK official figures (cited in Lang and Heasman 2004: 237) reveal that although the tonnage of food consumed in the UK has remained reasonably steady over the last twenty years, the distance that it has been transported has increased. Food is transported from further afield (allowing the purchase

of onions from Argentina or sweetcorn from Thailand) and consumers are more likely to drive to buy it, making it far more expensive, in environmental and transport terms.

The issue of sustainability is acutely relevant to areas where farming is problematic, such as in the drylands of India. White et al (2003) argue that delicate drylands require a different approach, rather than the orthodox agricultural development based on commodities. If the aim of development policy is to achieve food security, there is evidence to suggest an alternative pathway, which would be far more consistent with an ideal form of sustainable development. A study of 208 low external input (LEI) agriculture initiatives in the South was carried out by Jules Pretty and Rachel Hine at the University of Essex. They reported that “most sustainable agriculture projects and initiatives report significant increases in household food production – some as yield improvements, and some as increases in cropping intensity or diversity of produce” (Bundell 2002: 12). The results suggested that LEI agriculture in drylands could increase output by 50 to 100 percent. This of course had a major impact on food security for the farmers and their families.

Although LEI stresses traditional practices and a minimisation of inputs, it may use modern varieties of seeds, ... where useful, and it is based on equally scientific research of its own – even if that research is usually done in the field and with farmers rather than begun in a lab (Bundell 2002: 16).

It is also assumed that research into appropriate technologies could enhance output whilst maintaining low cost, low input farming.

Sustainable agriculture can be a rational and practical way for resource poor farmers to manage their livelihood vulnerability by reducing the myriad environmental, economic and even social risks they face. At present, poor and marginalised farmers throughout the developing world are at growing risk and under increasing stress as liberalisation policies are pursued without sufficient consideration of their needs and particular circumstances, and with insufficient focus on how to address their particular problems. Furthermore, given the projections for rural poverty and for hunger noted earlier, they are likely to remain at risk for some time to come (Bundell 2002: 18).

The possibility for sustainable agriculture will be explored more in the next chapter, with specific reference to AP.

## 1.6. Summary

This chapter has highlighted the consistencies between the discourses of orthodox international development and agricultural development, their construction, explanation and the actors involved.

In keeping with neoliberal ideology, the concept of food security has been reframed (by members of the orthodox community) as the ability to purchase food, and a concept that would previously have been associated with economic protection and a different world economic order has been absorbed into the orthodox discourse. In this way, hunger can be argued to require the same response as poverty, which is to increase income, and furthermore the same strategies of liberalisation are appropriate to solve the two.

Similarly, by characterising agriculture in the South as backward and therefore of low output, the discourse draws clear parallels with the orthodox discourse which ostensibly set out to modernise the 'primitive' Third World (see chapter two).

The WTO promotes agricultural liberalisation as the solution to hunger and poverty, but this remains a contentious issue. Not least because within the WTO the principle of liberalisation appears to be selectively applied and interpreted, depending on a country's position of power. This is illustrated by the reluctance of the US and EU to remove subsidies, or their attempts to simply redefine the support they give to farmers to make it consistent with WTO policy. If it can be argued that their supports are not market distorting then they are allowed to continue. Furthermore, the approach of the US to food aid appears to prioritise the export opportunities for its own producers. This would suggest that the prime interest in agricultural liberalisation is to benefit Northern food traders rather than those facing food shortages in the South. Additionally, the fact that the few large corporations who control much of the global food trade are in favour of agricultural liberalisation reinforces this impression. Although these businesses present liberalisation as a means to feed the hungry, and therefore their interests as consistent with the interests of those of the poor, it is difficult to see how the two can be mutually inclusive.

The policy of agricultural liberalisation is explained as problem solving by framing the problem of agriculture in the South as one of low output, and the problem of hunger as the lack of money to buy food. Thus the modernisation of agriculture is necessary and will enable the global market to ensure food security rather than local production being the answer. It is furthermore assumed that liberalisation will bring about food security as

increased incomes will enable the poor to purchase food, and the liberalisation of the global food markets will mean cheaper produce.

However, as with the orthodox development discourse, there are disputes at various levels. There are challenges to the nature and framing of the problem, which effectively reject the discourse. For instance, the 'problem' of global hunger is based upon the assertion that there is not enough food produced, whereas there is evidence to the contrary. Thus by conceiving of the problem as one of output, the solution is one of technique and technology. If the problem was seen as one of inequality, on a global, national or regional scale, the solution could become a political one (deGrassi and Rosset 2003: 6).

On another level there are disputes as to the evidence that the policies can achieve their stated aims, which reveals a disjuncture between the discourse and policy. For instance, there is evidence that liberalisation can have negative effects on food supply. This is because the potential of income from export may increase land under cash crops and reduce local food supply. Similarly, cash crops may be grown on larger land holdings and economies of scale may reduce employment on the land. This puts land under commercial pressure which can displace those cultivating their own food crops, whilst also creating less opportunity for farm labourers. However, without income these groups are unlikely to be able to afford the scarcer local food supplies, or any cheap imports. Similarly, cheap imports of food undermine local producers and push them out of business, leaving communities vulnerable to availability on the global market and fluctuating prices.

There are also doubts about the normative stance of the policy makers, for instance is there a genuine desire to create a free market where the producers in the South would gain? The Doha Round appears to have been cynically promoted as offering advantage to the South, since the presumption is that the AoA will phase out subsidies globally, and agree market access for Southern farmers to the North. However, the EU and US have recast much of their subsidy payment as direct support to farmers which is allowable under the WTO. This means that countries like India, which have offered cheap power or water to small farmers, have to stop their relatively small supports, while the EU and US maintain massive payments. Thus, it is difficult to see how the AoA can offer a market in which the small farmers of the South can engage to their advantage, given that it will make farming more expensive and will force them into global price competition. The disagreement within the Doha Round has thus far prevented agreement, although the dispute is on issues broader than just agriculture. It remains to

be seen as to whether the opponents of the AoA hold their position and potentially force a change of approach.

Despite the doubts that liberalisation is the solution, the belief that it is inevitable is widespread, even amongst the left leaning farmers' unions in India. However, what they argue for is a market which does not allow the monopoly of the agribusinesses, but which allows a degree of independence and change at a pace which is acceptable. This again is a case for flexible application of policies, although a continuing feature of WTO policy is the expectation, with some time concessions, that all countries will meet the same standards.

The modernisation of agriculture presumes that food supply is inadequate and that Southern farms have to be modernised to increase output. However, figures indicate that there is sufficient global food supply (WFP no date). This means that the problem is one of access not supply, and will not necessarily be solved by increasing output. One aspect of modernisation is larger farm size, which would facilitate contract and export farming. However, research indicates that far from being inefficient, small holdings produce more per acre and more in comparison with inputs than large commercially run farms. Finally, GM crops are assumed to be part of the answer to poverty, hunger and malnutrition. However, it is argued that they increase the need for credit to buy supplies of seed and necessary synthetic inputs, and tempt many more farmers into debt. There is also evidence to suggest that inputs have increased over time, and that environmental and human health problems have been created by these crops. Regarding hunger, the crops under cultivation are cash crops which are for export and reduce the amount of food available locally. Finally, for poor farmers, the cultivation of these crops tends to be too costly and many are pushed out of business or into despair and suicide.

Similarly, the liberalisation of agriculture is consistent with the Bank's interpretation of sustainable development, skewed towards increasing growth. A consideration of it in terms of the core principles of sustainable development shows liberalisation of agriculture firmly in the weak or treadmill sustainable development view, making it fairly consistent with orthodox development and arguably not serving the interests of the hungry or the environment. The impact of modern commercial agriculture on delicate drylands is of particular concern in this context.

## **Chapter six: Liberalisation, legitimacy and alternatives in Andhra Pradesh**

This chapter will look more closely at agricultural liberalisation with regard to India and Andhra Pradesh. Firstly, it will consider the necessity of agricultural liberalisation for India, taking account of progress towards the MDGs and inequality. Secondly, it will consider the reasons why agricultural liberalisation is an appropriate strategy for India, in terms of its recent broad economic history, the size and features of its rural sector and its trading patterns.

It will then turn specifically to AP and how agricultural liberalisation was communicated and presented as appropriate in this case. This will entail a consideration of the roles and interests of the actors who have played a role in the generation and explanation of the policy of agricultural liberalisation. This is in addition to the roles played by the Bank and DFID, and other international players, most important here are the ex-Chief Minister Naidu and the private sector.

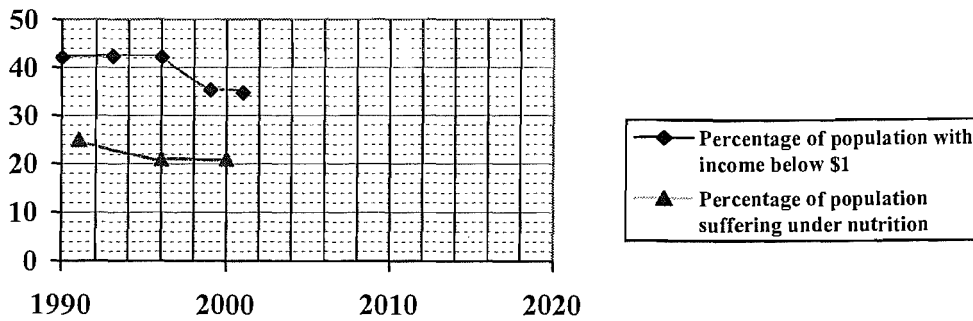
Next, the chapter will consider the legitimacy of the discourse and policy, and consider the arguments or events which question it. This includes the apparent lack of impact of the reforms on poverty, and the results of the election in May 2004. Finally, there will be a consideration of alternatives to the current strategy, including the model of sustainable agriculture which has clearly emerged in AP.

### **1. How is liberalisation presented as problem-solving in the case of India?**

The levels of poverty and hunger in India are high, and without progress it is unlikely that the global MDGs can be met (Planning Commission of India 2002c: 293). The two goals focused on here are those to halve the number of extremely poor and hungry by 2015.

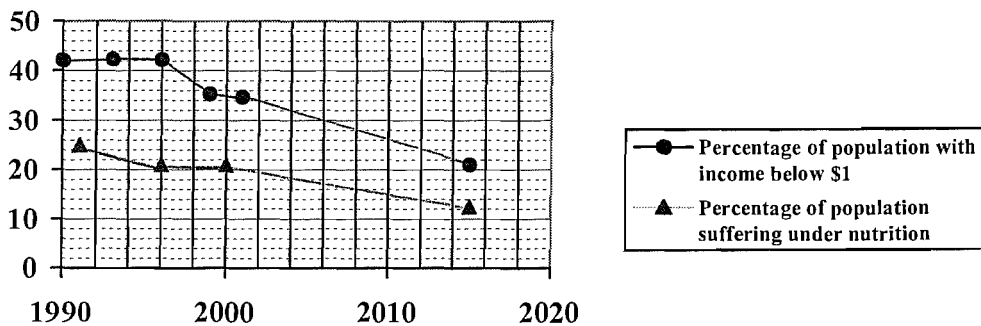
Firstly, progress towards the goals is not as planned. The FAO believe that the reduction of ODA in recent years has significantly reduced resources for poverty and hunger reduction and the trends would suggest that this is true (Ghosh 2005). As shown in figure 21, there has been a decrease in the percentage of poor in India from 1990, with a similar although less marked improvement for under-nutrition. However, most significantly, the curves do not show an even decline and appear to be levelling out.





**Figure 21. India actual progress to MDGs on poverty (UN Statistical Division 2004)**

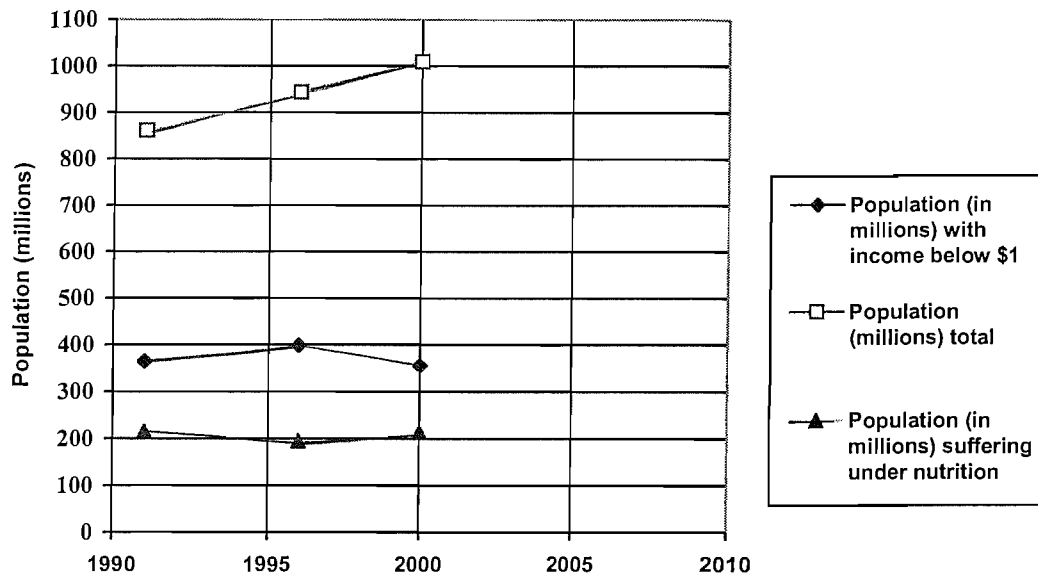
The level of change required to meet the goals is indicated in figure 22, which also shows the targets.



**Figure 22. India progress required to meet MDGs on poverty (UN Statistical Division 2004)**

The uncertain progress above is calculated on the percentage of population affected. However, according to the FAO and UNDP the actual number of undernourished has increased in India by around 10 million when the periods 1995-1997 and 1999-2001 are compared as in figure 23.

The Planning Commission of India admitted in 1997 that despite reforms and economic growth, the number of people with inadequate food, or chronic food shortage, increased in the 1990s. Calculations even show that in that decade there was a greater level of chronic malnutrition amongst children in India. Here, 40-60% were undernourished, whereas the rate in Africa was 20-40% (Mukherjee 2002: 296-7).



**Figure 23. India progress on numbers (FAO 2003; UNDP 2004).**

The commitment has been made, and the need is apparent and urgent, but the question remains how best to attain the goals.

### **1.1. How is the liberalisation of agricultural presented as appropriate for India?**

The liberalisation of Indian agriculture is perceived as necessary to ensure that the MDGs are met and “it is absolutely essential to build up the economy’s productive potential through high rates of growth” (Planning Commission of India 2002a: 1).

Liberalisation is presented as appropriate firstly, because it is generally thought to have had a beneficial effect on the economy over the last 15 years or so. Secondly, the size and potential of the agricultural sector in India means it will give rapid and wide returns. Thirdly, the current small contribution of agricultural trade to total agricultural GNP is further used to support the policies of liberalisation. Finally, the Indian Government has articulated the desire to create a ‘modern’ India, with agricultural growth as one of the drivers. These questions will be considered in the following sections.

## The new globalizer?

India, (along with China, Brazil, Hungary and Mexico) has been termed a “new globalizer”, because it was considered poor at the beginning of the 1980s and has since shown marked growth (Collier and Dollar 2002b: ix; Collier and Dollar 2002a). World Bank researcher David Dollar (2001: 8) observed “[i]t is well known that India pursued an inward-oriented strategy up through 1991” and the USTR (2002: 172) agrees that 1991 Congress government initiated significant economic reform. The openness to trade is promoted as the reason for greater growth and the justification for continued liberalisation.

Manmohan Singh, the Prime Minister nominated by Sonia Gandhi in June 2004, was the ‘architect’ of the early reforms under Rajiv Gandhi (*The Economist* 2004b). Gandhi’s vision was of a modern India, of taking India into the twenty-first century, and reform was the term used to explain economic structural change (Ray 2005). The changes were a result of massive national debt which required “re-evaluation of past economic policies and structural adjustment assistance from international financial institutions” (USTR 2002: 172). The demise of the USSR as a political entity and an aid source increased pressure to accept the conditionalities of the Bank and IMF, a position exacerbated by the position of the relatively weak coalition government (Ray 2005). The reforms were enforced without any room for debate but Narasimha Rao, Prime Minister after Rajiv Gandhi’s assassination, justified the agenda of reform as poverty-reducing (Narasimha Reddy 2005). This has remained central in the democratic discourse of the country and in the post 2004 government, with a greater communist influence, the need for poverty reduction is even more urgent. Thus the government promotes the idea of a poverty-reducing style of liberalisation: “liberalisation with a human face” (Ray 2005).

The point of the reforms is to increase the rate of economic growth. Recent rates have been reasonably high (around 6%), but deemed insufficient. For instance, the EC (2002) stated that 10% pa is desirable and necessary, adding that since contemporary “wealth is increasingly generated through trade” and India’s current performance in global trade is low, export orientation is the answer. Similarly, McKinsey observe that only a 10% rate of growth could prevent an employment crisis (BBC 2001). McKinsey urged India to encourage this growth by cutting ‘red tape’ and “removing distortions to the country’s labyrinthine property markets, privatising government assets and clearing the thicket of barriers that stifle investment in product development” (Luce 2001).

Prime Minister Singh took office in 2004 during renewed debate about how effective his 1991 reforms were. In a recent paper for the IMF, Dani Rodrik, of Harvard University and Arvind Subramanian, argue that India's break with the past (in terms of economic growth) happened not in 1991 but in 1980. The growth rates in the early 1980s were almost the same as ten years later – thus, they conclude, growth did not result from liberalisation and weakens the case for forced liberalisation (*The Economist* 2004d; Rodrik and Subramanian 2004). Those economists keen to promote the link between growth and economic openness take a different view. For instance, Arvind Panagariya of Columbia University counters that Indian growth in the 1980s was also linked to subtle policy changes by Gandhi as he attempted to encourage industry, whilst maintaining a relatively tightly regulated economy. He adds that Indira Gandhi began this trend when she courted the support of business in the previous decade (Panagariya 2004). Thus Panagariya argues that growth from the 1980s onwards was a result of openness, and that the link between growth and liberalisation holds.

Thus the consensus would seem to be that openness has led to growth, and that further liberalisation will increase the rate of growth, which will in turn reduce poverty and balance India's debts. Nationally there has been a shift in how the changes are articulated. Reform is still used, but now globalisation and liberalisation are themselves used. Ray observes that "it is a different India" (Ray 2005) where there has been an acceptance of the need for reforms, and a perception of inevitability about globalisation.

### **Rural sector and poverty**

India is considered to have vast potential for growth and is expected by 2020 to be a middle income country, according to the World Bank classification (based on GNI per capita) quoted in the *Human Development Report* (UNDP 2004: 280), where low income counts as less than \$735 pa in 2002. Much of that growth is expected to come from India's massive rural sector. As the table below shows, rural communities account for over 70% of the total population and almost 60% of the total labour force is in agriculture. The majority of the rural population are subsistence farmers or landless labourers (EC 2002: 8). In addition, poverty disproportionately affects certain groups. Scheduled castes, tribes and backward castes all suffer disproportionately from hunger and poverty, as do women (World Bank 2004b: 6).

Figure 24 implies that the rural population has actually increased by around 200 million in the 20 years to 2001. Thus the sector is enormously important in terms of size and its role in food production, and its impact on poverty and hunger rates.

| Indicators                                   | Unit | 1979-1981 | 1989-1991 | 1998    | 1999    | 2000      | 2001      |
|--|------|-----------|-----------|---------|---------|-----------|-----------|
| Population                                   | 1000 | 688,985   | 844,907   | 976,365 | 992,686 | 1,008,937 | 1,025,096 |
| Population annual growth                     | %    | 2.1       | 1.9       | 1.7     | 1.7     | 1.6       | 1.6       |
| Rural /total population                      | %    | 77        | 74        | 73      | 73      | 72        | 72        |
| Agricultural labour force/total labour force | %    | 69        | 64        | 61      | 60      | 60        | 59        |

**Figure 24. India, population and agricultural labour force (FAO 2004a)**

The 10<sup>th</sup> Five Year Plan notes the lack of progress on poverty and overtly links this to agriculture as a sector, for instance noting that

Small land holdings and their low productivity are the cause of poverty among households dependent on land-based activities for their livelihood (Planning Commission of India 2002c: 293).

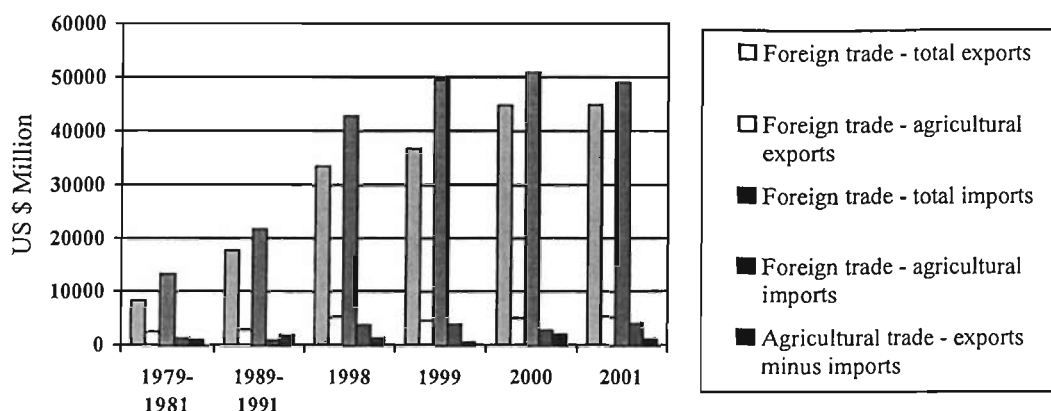
The Planning Commission (2002d: 7-9) proposes that growth in agriculture “is likely to lead to the widest spread of benefits especially to the rural poor”. Thus the “agriculture sector is the core of the 10<sup>th</sup> Plan” (Planning Commission of India 2002a: 215) and the first priority must be to increase “cropping intensity”, and additionally invest in irrigation and rural infrastructure and ensure the application of modern technologies (ibid: 14). “Sustained agricultural growth will in itself create the conditions for steady reduction in poverty” (Planning Commission of India 2002c: 5) since “growth has strong employment generation and direct poverty reducing effects” (ibid: 4).

Thus, the Indian government and various international actors are convinced of the potential of the rural sector to deliver growth which would be both poverty and hunger reducing.

### **Trade and agriculture**

Trade is a central part of the strategy to generate income from the agricultural sector, and India's size is significant. The most recent population count was during the 2001 census, and was almost 1.03 billion (GoAP 2002b), making India not only an enormous potential market, but a massive source of goods and services internationally (EC 2002: 7). Currently however, the economy remains relatively small by global standards, with

17% of the world's people, it accounts for less than 2% of global GDP and 1% of world trade (*The Economist*, 2004c).



**Figure 25. India agricultural imports and exports (in US\$ million) 1979-2001 (FAO 2004a).**

Figure 25 shows that India's imports and exports have increased by about three-fold in the years between 1981 and 2001. Even so, the share of total exports and imports accounted for by agriculture is relatively small, as is the proportion of exports relative to GDP generated by agriculture (see figure 26).

|                               | Agricultural exports (million US\$) | Agricultural imports (million US\$) | Agricultural exports as share of total exports (%) | Agricultural imports as share of total imports (%) | Agricultural exports relative to agricultural GDP (%) |
|-------------------------------|-------------------------------------|-------------------------------------|--|--|---|
| Average figures for 1999-2001 | 4958                                | 3634                                | 11.8   | 7.3  | 4.7   |

**Figure 26. Indian agricultural trade as % of GDP (FAO 2004c: table A6)**

The World Bank believes that agricultural trade figures are relatively low for India because its exports are not competitive on the global market and that to counter this there must be a shift in production to non-traditional farm exports. This has encouraged the Indian government to set up 4 agri-export zones (AEZs), one of which is in AP. Fruit, vegetables and flowers are considered ideal (*India Business Insight* 2003). Some consider it necessary to increase output and reduce costs in order to compete internationally, others believe it to be a matter of quality and improving the product (Parmar 2005).

However, there is a generally accepted commitment to liberalisation and a demonstrated belief that the liberalisation of agriculture will bring rapid and appropriate benefits.

## **A Modern India**

Both the *10<sup>th</sup> Five Year Plan* and the national *Vision 2020* imply that increased growth would be generated by increased agricultural exports and that these would lead to increased incomes throughout society, with better nutrition and food supply. At the 2002 launch of *Vision 2020*, then Prime Minister Vajpayee said “I dream of an India which is counted among the ranks of developed nations before the end of the second decade of this new century” (Atal Bihari Vajpayee 2002). Vajpayee went on that “the Planning Commission has firmly kept in view the ongoing process of transition to a market economy” and that the “changing role of the Government and its relationship with the private sector forms the cornerstone of the Plan” (Atal Bihari Vajpayee 2002).

In June 2000 the Planning Commission founded the Committee on *Vision 2020*. Chair of the Committee Dr S P Gupta took submissions from a variety of academics and politicians which formed the background to the *Report on Vision 2020* (Planning Commission of India 2003). Abdul Kalam, ex-President of India had collaborated with a long-time colleague of his Y S Rajan (then Scientific Secretary to the Government's Principal Scientific Advisor) hoping “to transform India into an economic, scientific and military power’ based on modern technology to enhance growth in all sectors (2002).

The Committee on *Vision 2020* (2003), published its report effectively as a “mission statement” for a new India, putting modernisation and technology at the centre of policy making. This has resulted in criticism that it is simply an attempt to mimic Western growth and industry. The report defends the national *Vision 2020* as “intelligent emulation” drawing upon “the discoveries and experiences of others to address universal needs common to all human beings and all societies” (ibid: 131).

*Vision 2020* projected that the 1.3 billion “people of India will be more numerous, better educated, healthier, and more prosperous than at any time” before (ibid: 17). The report highlights certain sectors, again naming agriculture. Here it forecasts the eradication of hunger and under-nutrition, since “well before 2020, ... the country will be able to meet the projected demand in all major food categories and generate a substantial surplus of food grains and dairy products” (ibid: 18). It notes that food production alone is not sufficient to deal with the problems of hunger, but

will require the generation of sufficient employment opportunities so that all households have the purchasing power needed for assured economic access to food. Employment or livelihood security is an essential and inseparable element of a comprehensive strategy for national food security (ibid: 18).

Thus the strategy of liberalisation is based on its historical effect upon the Indian economy, and the assumption that it will bring rapid gains when applied specifically to the agricultural sector. This is part of a broader vision to make India into a modern nation with all sectors of society benefiting from the changes. However, there are counter arguments to all of these points.

### **Legitimacy of liberalisation as strategy for India**

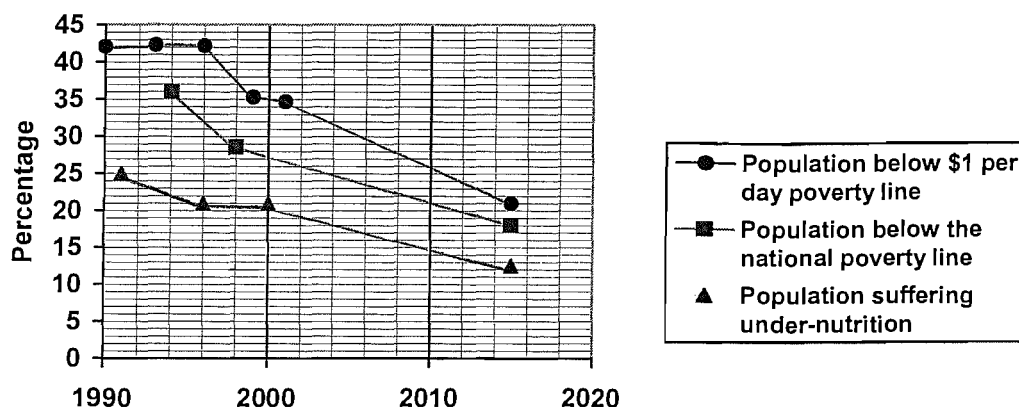
Ray believes that there is a permanent struggle for legitimacy which is difficult to maintain. While liberalisation, structural adjustment and globalisation are increasingly accepted in Indian political discourse today, it is the scale and pace of reform, and its undesirable side effects, which are contested. Politicians have to ensure the survival of any coalition, by sufficiently justifying their policies to different parts of their constituencies (Ray 2005). The example of AP and ex-Chief Minister Naidu, who lost the 2004 election, is therefore “a major case of the general problem” in coalition politics (Ray 2005).

In terms of the explaining the policy for India as a whole, the continuing high levels of poverty and hunger are themselves a challenge. As many as 500 million people in India routinely experience calorie shortage, or so-called “hunger-poverty” (World Bank 2004b: 1). There are variations in the calculation of hunger or poverty, and this impacts upon monitoring and goal-setting. Whilst it is accepted that there has been a reduction in income poverty over the last 30 years, the degree of that reduction is disputed, in part “because the GoI’s methodology for collecting the source data for its poverty statistics was altered” (House of Commons International Development Committee 2005a: 27).

Using the standard international poverty measure, India has a high proportion of extremely poor, surviving on less than \$1 per day, but UNDP figures suggest the \$2 per day line should be used and that would imply that 79.9% of Indians should be regarded as poor (UNDP 2003b: 149). The \$2 per day goal would enormously affect the goal, but conversely, the Indian national poverty line is described as rather “more modest” by Charlotte Seymour Smith of DFID, (cited in House of Commons International Development Committee Report 2005b: 15). It would mean that the target population for



poverty reduction is smaller and the goals somewhat easier to achieve, as indicated in figure 27.



**Figure 27. India national poverty line and MDGs (UN Statistical Division 2004)**

Economist Mark Weisbrot and colleagues are sceptical about the impact of the intended poverty reduction strategies. Weisbrot et al (2004) calculated that a typical beneficiary of poverty reduction via trade could be someone currently on an income of \$1.95 per day. A 4% increase in income could increase the daily figure to \$2.03. Whilst such a change might, for some, make the difference between malnourishment and a healthy diet, “there should be no illusions about the extent to which the typical person is projected to benefit in this process”. Therefore, even assuming that the goal to halve extreme poverty will be met (House of Commons International Development Committee 2005a: 15) this is arguably rather modest, only moving the extremely poor to the poor category.

Similarly, variations and changes in how under-nutrition is calculated make comparisons difficult. FAO estimates for 1991 indicate 25% of the Indian population had an unsatisfactory energy intake, meaning that the MDG remains 12.5% (UN Statistical Division 2004). FAO figures for undernourishment are based on the amount of food available in a country, but if calculated on what people actually eat might appear even worse (*The Economist* 2002). If India's national classification of calorie-deficiency is used, figures seem much worse.

In 1999-2000, for instance, more than one-half (53%) of India's population consumed fewer calories than it required. This is nearly double the estimated national incidence of consumption poverty of 22-26% (World Bank 2004b: 109).

Although this represents a decline in the percentage since 1993-4 when the figure was almost 60%, this still means that there are as many as 500 million people in India who routinely experience calorie shortage, or “hunger-poverty” (ibid: 1).

Furthermore there are states in India which have low ‘consumption poverty’ such as Gujerat, but have relatively high ‘hunger poverty’. Conversely, Uttar Pradesh indicates high consumption poverty but low hunger poverty. “This suggests that reduction of (consumption) poverty is not synonymous with eradication of hunger or an improvement in food security” (World Bank 2004b: 110). A lack of linkage between broad growth-based poverty reduction strategies and hunger reduction over time has also been raised. Radhakrishna et al (2004: 3121) observe that although according to orthodox calculations there has been poverty reduction in India as a whole from the 70s to the 90s, malnutrition runs at a higher rate than poverty and child malnutrition has been reduced at a significantly slower rate. National figures for child malnutrition are still between 50 to 60%, the risk being greatest amongst poor households where mothers have poor nutrition (ibid: 3129).

The trends suggest that India is “not on track to meet the ... malnutrition MDG” (Secretary of State for International Development, Hilary Benn cited in House of Commons International Development Committee 2005b: 45). Inequalities are worsening, according to Oxfam (2000), who noted the differences between states growing in the 1990s, and this was echoed by the UNDP, who observed that even accepting significant progress in poverty reduction in the 1990s, there are vast variations across India and in some cases inequalities have been exacerbated (UNDP 2003d: 37).

Thus there are reasons to doubt the strategy of liberalisation as a means to attain the MDGs. The variety of calculation methods of both poverty and hunger complicate the confidence it is possible to have in the goals or their alleged progress. Similarly, there is doubt about the impact of liberalisation on growth and then on poverty. Furthermore, there are the doubts about the impact of limited poverty reduction on hunger.

## **2. How is agricultural liberalisation presented as appropriate for Andhra Pradesh?**

The previous section considered the discourse presented to defend the liberalisation of agriculture for India as a whole. The chapter will now turn to a more detailed consideration of the state of AP.

| States/ Union Territories | Rank |      |       |
|---------------------------|------|------|-------|
|                           | 1981 | 1991 | 2001* |
| Andhra Pradesh            | 9    | 9    | 10    |
| Assam                     | 10   | 10   | 14    |
| Bihar                     | 15   | 15   | 15    |
| Gujarat                   | 4    | 6    | 6     |
| Haryana                   | 5    | 5    | 5     |
| Karnataka                 | 6    | 7    | 7     |
| Kerala                    | 1    | 1    | 1     |
| Madhya Pradesh            | 14   | 12   | 12    |
| Maharashtra               | 3    | 4    | 4     |
| Orissa                    | 11   | 11   | 11    |
| Punjab                    | 2    | 2    | 2     |
| Rajasthan                 | 12   | 9    | 9     |
| Tamil Nadu                | 7    | 3    | 3     |
| Uttar Pradesh             | 13   | 13   | 13    |
| West Bengal               | 8    | 8    | 8     |

Figure 28. AP HDI ranking 1981-2001 (Planning Commission of India 2002b: 25).

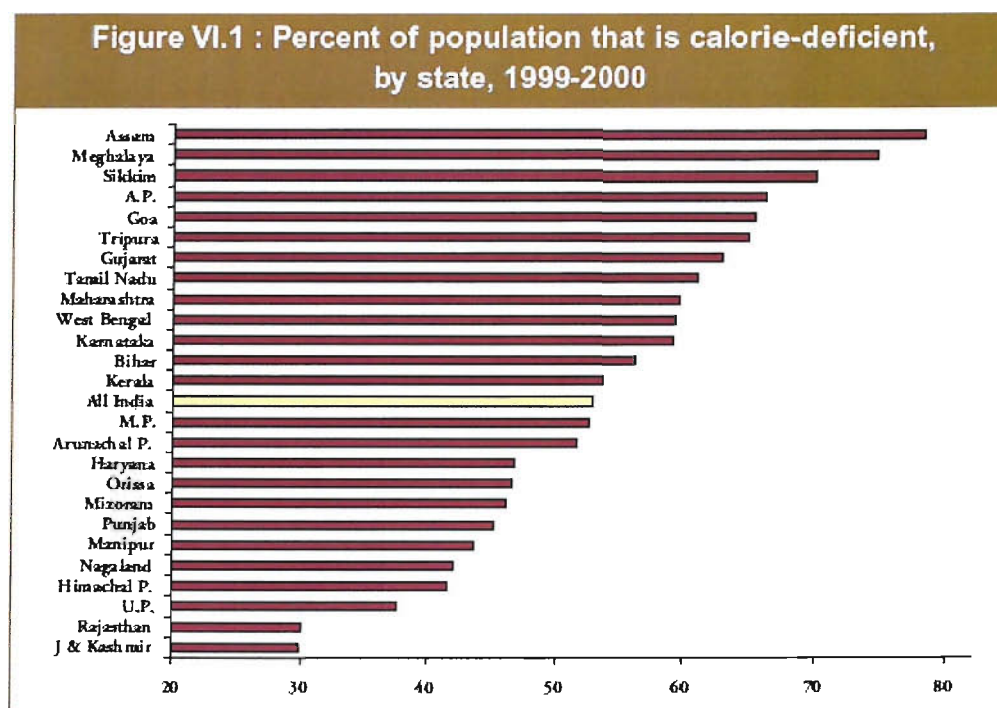
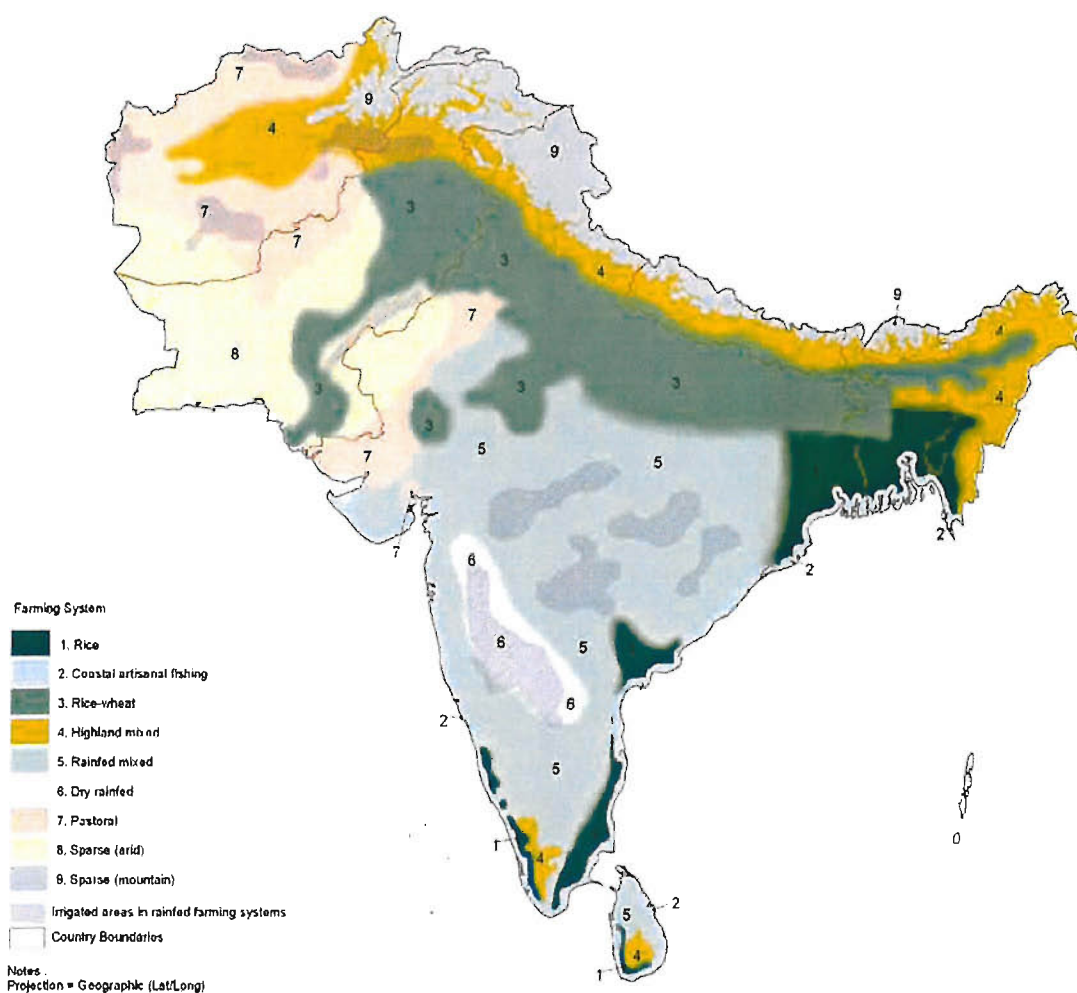


Figure 29. Calorie deficiency by state 1999-2000 (World Bank 2004b: 109).

It is the fifth most populous state in India (GoAP 2002b) and in 2001 was ranked tenth (as shown in Figure 28) in terms of human development by the Indian Government (Planning Commission of India 2002b: 25).

As both Figures 28 and 29 suggest, India has marked regional differences. Calorie deficiency is high in many northern and eastern states, with a faster pace of growth and industrial development in the south and west (EC 2002: 10).



**Figure 30. Major farming systems in South Asia (FAO 2004b)**

According to the DFID (2001: 7), the rural poor are mostly landless labourers and marginal farmers, and poverty has assured a continued flow of migrants to the growing city slums. Additionally, women in Andhra Pradesh have the highest work participation rate of any Indian state, yet are often “the most marginalized and vulnerable” facing structural problems such as lower wages, lack of credit and lack of ownership rights.

Despite the relatively good performance with regard to aggregate poverty reduction, AP is one of the states with a higher than 60% calorie deficiency (House of Commons International Development Committee 2005b: 17).

Figure 30 shows the distribution of major agroecological zones in India, and the prevalence of rain fed agricultural land in Andhra Pradesh, which qualifies broadly as dryland. Sharma (2005) contends that around 70% of India as a whole should be counted as dryland.

## **2.1. What additional actors have been involved in policy development in AP?**

### **TDP and the leadership of Chandrababu Naidu**

The TDP was a powerful regional party, which until the recent election had been in power for almost 10 years. The Chief Minister for most of that time (or as he liked to be called, the Chief Executive) was Chandrababu Naidu (Menon 1997). He followed his father-in-law NT Rama Rao as TDP leader, taking power after Rao's position was weakened by massive state debt (*The Economist* 1999). Rao had promised subsidized rice and free power, both policies later blamed for financial crisis. Naidu decided that major economic reforms were needed to "balance welfare and development" (Nicholson 1997).

A very modern politician, Naidu was adopted by the Kamma caste – an internationally mobile enterprising group - as their champion (Srinivas 2005). Having hired a public relations firm to promote his image as a reformer (Seetha and Radhakrishna 1999), by the time of the 1999 election Naidu was considered the only forward-looking party leader in the state. It was even feared that his loss would jeopardize the reform programme entirely (Baru 1998). Naidu was able to move in circles closed to other state leaders, and therefore accessed funding which was unavailable to others (Aiyar and Menon 2002). *Vision 2020* elevated him to a status of international political stardom – Blair and Clinton visited him in his capital and he was named South Asian of the year by *Time* magazine (Monbiot 2004). Thus, his public profile was in keeping with the overall thrust of Vision 2020, to modernise and globalise.

His commitment to reform made Naidu a favourite with the World Bank and other sponsors, prompting the title "mascot of reforms" and placing him in a position to gain

aid from the JBIC and ADB (Aiyar and Menon 2002). “He was the idol of the World Bank and other institutions that were pressing for better governance” (Tully 2003: 123) but was “ideologically ruthless” in pursuit of those policies (Srinivas 2005). This commitment to meeting the demands of the IFIs and donors gave access to the massive investment that Naidu wanted for AP (*Business Line* 2003). This led to substantial input from donors, for instance the DFID gave Andhra Pradesh 60% of its total ODA for India in 2001 (Pimbert and Wakeford 2002: 36).

However the massive investments gained also required major repayments, even though the aim was to repay loans at below market rates over a twenty year period – the total state debt in 2002-2003 was estimated at Rs 50,083 crore, (or approximately £7 billion) which is about 30% of state GDP (*Business Line* 2003). This increased the pressure to reduce public spending and release more funds for debt repayment.

### **Private sector and consultants: constructing and communicating discourse in AP**

International consultants have become increasingly common in India. Initially they aimed to advise firms suffering the impact of global competition, but later collected contracts from the national and state governments to review policies. Andhra Pradesh paid McKinsey \$3 million for its *Vision 2020* report and spent half as much again on smaller projects with consultants. The Bank specifies consultancy within its loan packages, and McKinsey has been approached by other state governments to produce policy reviews (Narasimha Reddy 2005). Even the Communist-controlled government of West Bengal is proposing to have McKinsey produce its strategy document, in order to ensure World Bank funding (Satheesh 2005). DFID also insists upon the involvement of international consultants in projects, such as Anderson Consulting and Price Waterhouse Cooper in the restructuring of the Haryana State Electricity Board. The role of consultants has developed from one of advice on specific projects, to overall strategic reform, which is expected to encourage business. Punjab's finance secretary K.R. Lakhanpal observed that “[b]ureaucrats cannot sell a state to investors” (Seetha and Radhakrishna 1999).

AP was proud of its use of international consultants and intended to “avail the services of reputed international agencies in finalising the document on Vision 2020” to achieve “an all-round development of the State on par with the developed countries” (*Business Line* 1997). Following the advice given to AP, McKinsey proffered a national action plan in 2001 along the same reformist lines, and urged other states to follow AP's lead (Monbiot 2004). The report prepared for the Indian Prime Minister urged “cutting the red

tape ... rationalising taxes, establishing effective regulation, removing restrictions on foreign investment, reforming property and tenancy laws, and widespread privatisation". This is linked to increasing growth, and creating the necessary conditions for achieving growth (BBC 2001).

Thus, international consultants are increasingly policy players within India at both the national and state level. Their involvement has arguably encouraged other private actors: Professor John Farrington of the Overseas Development Institute (ODI) notes that the "the private sector actually is very big in agricultural development in India" (House of Commons International Development Committee 2005b: 36). This was said specifically referring to the sale of inputs to Indian farmers – much of which are 'spurious' seeds and pesticides, but their influence is also well-illustrated in two other areas, that of GM and in contract farming.

### **Enabling growth in agriculture in Andhra Pradesh**

- 1) Improving productivity via
  - a) land consolidation
  - b) R&D
  - c) modern technology
- 2) Strengthening the marketing of agro-products by
  - a) improving farmer information systems
  - b) reducing the number of intermediaries, so farmers sell direct (to exporting companies)
  - c) improvement of infrastructure
- 3) Emphasising exports by
  - a) catering to consumer preferences in markets
  - b) improving export infrastructure ie port improvement and development
- 4) Providing infrastructure by
  - a) improving basic infrastructure to enable transport and storage within the state
  - b) targeting development of hubs or ports
- 5) Framing growth enabling policy to
  - a) enable contract farming
  - b) create access to credit
  - c) simplify procedures to encourage private investment

**Figure 31. Vision 2020, Enabling growth in agriculture in AP (GoAP 2000b: 224-8).**

The extent of expected involvement of business in agriculture is shown in Figure 31. Taken from *Vision 2020* this lists five aims, which appear on the left, to be reached via the initiatives in the right hand column.

## **Vision 2020 and GM**

AP's biotechnology policy was identified as one of the "engines of growth" in *Vision 2020* and Naidu's government was committed to its "rapid commercialisation" (GoAP 2001a: 9). The state established 'Genome Valley' outside Hyderabad to help "promote economic development" via technology and the provision of "an investor-friendly environment that will attract large corporations to set their Biotech R&D and manufacturing" provision in the state (ibid: 16). The intention was to use biotechnology in most aspects of agriculture, from fisheries to livestock, crops and forestry (ibid: 17). To attract these industries, a range of incentives such as tax advantages were offered (ibid: 19-20).

Naidu promoted the role of technology in reforms, noting that to attain the goals of poverty eradication AP would have "to embark on a vigorous effort to create rapid economic growth" and "[t]echnology will play a critical role in accelerating the pace of development", particularly in the biotechnology sector (ibid: 3).

P. Chengal Reddy, a farmers' representative in Hyderabad is keen for farmers to have access to more technology. He highlights its lack as being one reason that Indian farmers are so poor, particularly in comparison to China where they make more use of GM crops. India, he says, is losing out due to the "indecisiveness of ... policy makers and trouble caused by environmentalists" (Chengal Reddy 2005). He lobbied Prime Minister Singh to provide state incentives for 'quality seed' provision and research and for simplifying the procedures for the biotechnology industry (Chengal Reddy 2004). Certainly one report found that GM cotton seeds had increased yields by up to 100%, and one of the researchers Dr David Silberman from the University of Berkeley in California argued that biotechnology could help small, poor farmers in developing nations (Radford 2003).

Thus the GM industry seeks a high profile in AP and India, and Naidu's government and some farmers' representatives were keen to promote it.



## Vision 2020 and contract farming

One more facet of *Vision 2020* was to move towards “highly commercialised farming for export on a contract-farming basis and to give corporate access to fairly large pieces of land” John Farrington (cited in House of Commons International Development Committee 2005b: 39). Contract farming is ever more common in India and is seen as an essential component of agricultural improvement (GoAP 2000b: 225; World Bank: 7). This would mean that farmers no longer choose what to cultivate but make contracts with firms, usually at fixed prices, argued to be a good way of ensuring incomes for farmers and controlling inputs (Hassan 2005). On the other hand, contract farming has been encouraged because “companies benefit by accessing an assured supply of low-cost, high quality produce, and farmers will have an assured market and technical and financial support” (Deshingkar et al 2003: 632).

Naidu’s Government was keen to widen contract farming, and funded a pilot project in Naidu’s home district of Chittoor. This was a demonstration project, intended to “develop a new concept and view for agriculture production ... bringing contract farming familiar to area and farmers [sic]” and “making the farm ... managed by one hand ... ie corporate body through corporate farming [sic]” (Chowdry et al 2000: 6).

The project was run by an Israeli company with the help of a local Indian firm and involved massive state investment, with support from the Government of Japan. Small farm plots were consolidated into one large area, irrigation systems developed, machinery introduced and the products were intended for export. The project began in 1997, was extended with the personal support of Naidu and was intended for further expansion (ibid: 5, 24-5).

The project at Kuppam proved economically unviable, but such was the ideological commitment to the corporate model of farming, that there were still instructions to each district to develop such a project. Every district rural development authority was expected to arrange for local farmers to visit Kuppam to see contract farming in action and to encourage its spread. District Collectors (local government officials with responsibility for the overall socio-economic development of the area) were told that their performance would be assessed according to what extent the principles of *Vision 2020* had been implemented (Satheesh 2005).

Contract agriculture, with its implications for land consolidation presumes that fewer people will work on the land. The EC (2002: 11-2) stated that one reason why crop productivity remained low was because regulations against land consolidation were

discouraging rural investment. Clearly, the assumption is that consolidation and investment are both desirable, even though the predicted effect of this in AP would be to reduce its “share of employment ... from the current 70 per cent to 40-45 per cent” (GoAP 2000b: 168).

## 2.2. How was Vision 2020 presented as appropriate?

### How was the policy of liberalisation communicated within AP?

A draft of AP *Vision 2020* was made public in January 1999 (GoAP 2001b). Publication was delayed, apparently due to a degree of internal disagreement, so the report was made more palatable or “people friendly” (*India Today* 1998). This “strongly modernist” (House of Commons International Development Committee 2005a: 41) strategy intended to achieve rapid growth and sharply reduce the number of vulnerable people in the state by creating employment opportunities and increasing incomes (GoAP 2000b: 55-6).

#### **To achieve this vision, Andhra Pradesh has set itself the following mission**

- *Eradicate poverty and take care of its old, infirm, and genuinely needy.*
- *Enable its people to learn, earn, and lead healthful and productive lives.*
- *Promote small families for a healthy and wealthy society.*
- *Give its children a happy childhood and every opportunity to achieve their full potential.*
- *Empower and support its women and girls to fulfil their roles as equal shapers with men of the economy and society.*
- *Create the resources its people will need, such as capital and infrastructure, to transform their own futures.*
- *Enable its farmers, entrepreneurs, and professionals to make agriculture flourish and build thriving industries and services businesses.*
- *Embrace innovation and the latest know-how to grow its crops, make its goods, and provide high quality services.*
- *Safeguard its environment and make its villages and cities clean, green and safe to live in.*
- *Make its government simple, transparent, accountable and responsive.*
- *Ensure that its people continue to have a strong voice and role in the governance of their State.*

**Figure 32. Vision 2020 mission statement for AP (GoAP 2000b: 4)**

The published strategy stated that

[b]y 2020, the State will have achieved a level of development that will provide its people tremendous opportunities to achieve prosperity and well-being and enjoy a high quality of life (GoAP 2000b: 1).

Adding that

[t]o attain this level of development, the State will have to embark on a vigorous effort to create economic growth. Development, particularly social development, will require the creation of economic opportunity, mainly through the growth of the economy (GoAP 2000b: 1).

The strategy (GoAP 2000b: 2,3) appealed to the people of AP to be “partners in progress”, and said that “[e]veryone will benefit from a government that is truly ‘for the people’”. The mission that the government set itself was represented in a list of features that it offered its people. These appear in Figure 32.

Attaining these goals depended on achieving an accelerated rate of economic growth. But this high growth rate would mean that by 2020

every individual in Andhra Pradesh will be able to lead a comfortable life, filled with opportunities to learn, develop skills, and earn a livelihood ...

Disadvantaged groups—scheduled castes, scheduled tribes, backward classes, and minorities—as well as other groups in need of special attention, such as women and children, will be empowered and provided with the opportunities they need to achieve their full potential. The genuinely vulnerable—the old, the infirm, and the disabled—will be able to lead a secure and dignified life. ... No family will lack basic needs like food, clothing and shelter. Every family will be able to live in hygienic surroundings, and enjoy the benefits of clean air and water. Power will be available to run appliances, radios and televisions; transport will be at hand to go to work or seek entertainment and so will telephones to get important jobs done or simply keep in touch with relatives and friends. Families will continue to promote social values, encourage hard work, and continually strive for a better life (ibid: 2).

Thus the prize of future wealth and success (for all in particular the groups traditionally suffering social or economic exclusion) was put forward as the reward for ensuring high levels of growth, which were the essential basis for any development. These growth rates were dependent on rapid development of state infrastructure, increasing productivity, and maintaining law and order. The role of government would change from “from being primarily a controller of the economy, it must become a facilitator and

catalyst of its growth” (ibid: 8). By engaging in the global market and encouraging foreign investment, and by making rapid reforms, AP stood the chance to capitalize on its advantages (GoAP 2000b: 7-10).

Naidu was media-aware and made a showcase in the state of the major infrastructural projects, which largely benefited the urban middle and upper classes. New flyovers and road-widening schemes were publicised, and he developed a new park in Hyderabad, making him extremely popular with the urban middle classes who benefited from his policies. By styling himself as the Chief Executive Officer of the state, Naidu created an image of the state leader as the head of a commercial enterprise (Srinivas 2005).

Naidu had the support of the media which represented the interests of the castes which formed his power base, and he emerged as a courageous risk-taker in touch with the modern world (Srinivas 2005). *The Economist* (1999) described Naidu as a leader with “snap, crackle and pop” with “global vision” and “courage” to cancel power subsidies. Another article refers to “Naidu the reformer” whose image was one of a “benevolent colossus with his feet in a rice paddy and his fingers poised over a PC” (*The Economist* 2000). His image was constantly reinforced in the public eye, one of his media team described the level of activity: “[w]e’d be hitting the media every four days” (Christian Aid 2005: 25).

Thus Naidu’s public image was important, as a modern, business-oriented leader. Grand claims for the policies, without much justification, were apparently presumed to be sufficient to retain support.

### **How was Vision 2020 presented as appropriate to AP?**

AP was considered to have many strengths that it could build upon. It is India’s 5<sup>th</sup> largest state in terms of area, covering about 276,754 km<sup>2</sup>, and enjoys the longest coastline of any state. It has the 5th largest area of cultivable land, and around 60% receives adequate rainfall. It also has two major rivers and large mineral reserves. The long coastline provides “several gateways for international trade” (GoAP 2000b: 9), particularly well-situated for Malaysia and Singapore. Its central position in India also offers relatively easy reach of many major Indian cities. The state already had relatively high agricultural output and a burgeoning IT industry (ibid: 9), leaving it in a good position to exploit its advantages, and offer potential returns on investment.

Its features offered potential in three major areas: agriculture, industry and services, which would provide the three engines of growth. “Each major sector of the economy—agriculture, industry, and services” would have to grow robustly.

Agriculture [would] have to quadruple in size and grow at an average rate of 6 per cent a year (in real terms), making Andhra Pradesh a powerhouse in Indian agriculture (GoAP 2000b: 5).

### **Agriculture as the engine of growth**

Around 65% of the population of AP is involved in agricultural work and it accounts for about 22% of state GDP (GoAP 2004a: 1). A GoAP report from 2001 described the state as “endowed with rich bio-resources... [in] 7 agro-climatic zones ... with 19 major food and commercial crops grown”. Agriculture is described as “the lifeline” of the economy, with about 40 percent of the land given over to agriculture and 23 percent forested (GoAP 2001b: 3). The state is the second largest producer of fruits in India and one of the largest producers of vegetables. A leading rice producer, it accounts for about 12% of national production, and the state is high in the league tables for the production of cash crops such as tobacco, oil-seeds, cotton, sugarcane, cashew, mesta, turmeric and chillies. Sometimes called the “Seed State” of India, its progressive farmers produce seed for a variety of crops on behalf of Government and private seed companies. AP is the 7th largest milk-producer in India, with production constituting 11% of the state’s agriculture economy. The state has a large breeding bovine herd, and rich fishery potential in inland and marine waters and in 2001 accounted for 40% of India’s fish exports (GoAP 2001b: 3).

Despite the size of the sector, the state was described in 1997 by one Hyderabad political journalist as “a poor, rural and quite backward state” (cited in Nicholson 1997). It was felt that “[a]gricultural growth has been affected by an underdeveloped agricultural value chain and regulation that hampers productivity” (GoAP 2000b: 11). Thus one of the ways in the state to increase GDP is to “enable growth and strengthen the performance of the sector” (ibid: 224). The World Bank (2004e: 54) observed that productivity has been important in the promotion of agricultural change in the state: “improving farm productivity and raising private sector investment in agriculture holds the key to higher agricultural growth and faster poverty reduction”.

Horticulture was considered to have particular growth potential and the state aimed to be the main producer of vegetables and fruit for both domestic and international markets by 2020. To facilitate this the GoAP established some 28 agricultural export zones

(AEZs) while encouraging private investment in infrastructure and processing (Deshingkar et al 2003: 631-2).

*Vision 2020* and its associated policies moved the DFID (2001: 5) to observe that “[t]he Government of Andhra Pradesh is perhaps the first state government to develop a comprehensive vision for poverty eradication”. The World Bank (2004e: 3), using very similar terms, agreed that it was “perhaps the first Indian state to initiate a comprehensive state level reform program with a view to accelerate economic growth and reduce poverty”.

### **Poverty eradication**

Although not one of the poorest states in India, AP does have many poor. Estimates from the State Strategy paper published by the DFID (2001) suggest rural poor levels of between 16-33% and urban poor of about 39%. The GoAP considered 33% to be closer to the truth for rural poverty, making an average rate of 36%, (of a population of 70 million) being below the poverty line (DFID 2001).

*Vision 2020* was justified as a policy for poverty eradication, the elements of which are listed in the table below.

1. Pursuit of rapid economic growth,
2. Promotion of human development
3. Enhancing social capital of the poor by fostering organisations of the poor and their capacity building
4. Promotion of sustainable livelihoods of the poor
5. Focus on backward mandals and the poorest of the poor
6. Re-designing the administrative delivery machinery

**Figure 33. Vision 2020 elements of strategy for poverty reduction (GoAP 2000a)**

In terms of the political rhetoric, poverty has a long history in Indian politics. Indira Gandhi won a landslide victory in 1980 with ‘Ban Poverty’ as an election slogan. Party policies addressing the problems of poverty are essential in a democracy with such a large poor, but the relationship between policy and poverty reduction has usually been

far less clear (Ray 2005). This was largely true of the Naidu's government, which assumed that wealth would trickle down.

The DFID has been funding a seven-year poverty-reduction programme called the Andhra Pradesh Rural Livelihoods Project (APRLP). This targets the "poorest of the poor" and is involved in training and generating small enterprises in rural communities to enhance their sustainability. The project is concerned with diversification of income base and offers training for rural workers to develop new skills (Das 2005). The World Bank funds similar projects, such as Velegu, designed as self-help programmes for the poorest. APRLP in particular was funding the work of Peace, which was enabling it to develop support groups for farmers and make a tangible difference.

### **2.3. What were the challenges to *Vision 2020*?**

#### **Electoral change in India and AP questions policy legitimacy**

The Bharatiya Janata Party-led National Democratic Alliance (NDA) government elected in 1999 was a coalition of 23 parties, of which Naidu's TDP was one (EC 2002: 6). In May 2004, the BJP coalition was unexpectedly ousted by the Congress Party which, lacking an overall majority, in turn formed a coalition with its allies. BJP core supporters are Hindu nationalists, and one of the offered reasons for its loss of power in May 2004 was the government's failure to construct the Hindu temple on the site of the Ayodhya mosque and other promises made to the Hindu hardliners (BBC 2004). By contrast, the Congress party has generally been viewed as the secular, unified alternative and has formed an alliance of more left-leaning allies (Rai 2004).

The election loss could simply be an indication of general dissatisfaction and a desire for change, since analysis suggests "that regional and caste-based politics, strategic alliance-building by the Congress party and anti-incumbency voting were the most significant factors" (House of Commons International Development Committee 2005a: 27). *The Economist* (2004a) agrees, saying that there is little evidence that liberalisation was the cause of the defeat and that it was general dissatisfaction with state governments. The House of Commons report does however go on to say that "[n]onetheless, the election result has drawn attention to the unevenness with which economic reforms have impacted in India" (House of Commons International Development Committee 2005a: 27).

Other observers believe the reason for the election loss to have been the "indiscriminate" privatisation programme favoured by the BJP and its allies (War on Want 2004). Naidu's rigorous implementation of reforms was not uniformly popular in the state. The 'onslaught' of funding and staff cuts in universities and government departments and the closure of many state enterprises lost him the support of the public and it was these reforms and others which caused his downfall (Galab 2005). Nationally, Naidu might be seen as an exception because he "represented the logic of globalisation at a high level" but he applied it so rigidly to a relatively small region, that he created pressures that he and his party could not withstand (Ray 2005).

Even if it was not the reforms themselves, the unequal impact of these policies and the lack of attention given to the poorest is blamed. Naidu was certainly "voted out because of his policies" but how voters understand and interpret these policies is unclear. Ordinary people will notice a lack of employment, lack of farmer support, and lack of attention to the rural communities (Srinivas 2005). Naidu's privatisation programme was accompanied by "many false promises" and the small and marginal farmers were particularly neglected, according to Mr Nimmaiah (2005) of People's Action for Creative Education (PEACE), a farmers' self-help group. Described as being a man with a vision (Galab 2005), Naidu concentrated on urban development. Hyderabad in particular flourished and high technology industries grew, with the help of government funding. Money was spent on urban road schemes and high quality housing developments, but the rural poor were neglected (Tulasidas 2005). This was presumed to be part of a national trend: "[h]aving only a handful of people feeling the benefit is politically dangerous and that's why the national government was thrown out" (Parmar 2005).

Arguably then, it was a vote against the impact of liberalisation policies on the majority. The promise had been made in *Vision 2020* that there would be poverty reduction with a view to eradication. But policies were haphazard and their implementation was given inadequate thought. For instance, the forecast of reduction in agricultural employment was not accompanied with any idea of alternatives. Investment in the high technology industries did not help farmers and their needs were largely overlooked. According to the secretary of the farmers' organisation Modern Architects for Rural India (MARI), *Vision 2020's* agricultural policy was "short-sighted with no participation" (Murali 2005). R. Lingaiah of the Centre for Rural Operation Programmes Society (CROPS) argues that while the Vision promised much for the future, the poor and the farmers could not afford to wait, needing food or income for themselves and their families (Lingaiah 2005). Charlie Kronick, Director of Policy at Greenpeace UK believes that the electoral change



raises sufficient doubts over the policies of liberalisation that it should prompt the Bank and DFID to “consider a review or change of policies” (Kronick 2004).

There were popular community programmes under Naidu, which were poverty focused, but implementation problems prevented them reaching many of the poorest, and increasing unemployment was another factor (Galab 2005). Naidu is accused by one academic of “utter contempt for the poor” and was the “only chief minister in history that thought that the poor were not important for his election” (Narasimha Reddy 2005). One of the reasons he wanted to replace his own father in law as head of the party was that Rao’s politics were “too welfare-oriented”, and by recreating himself as Chief Executive Officer of AP he “alienated most of the poor ...he was talking a different language of 2020” (Narasimha Reddy 2005).

As Naidu’s time as Chief Minister continued, opposition grew and forced a more public debate. On agriculture for instance, a petition of over 100,000 names was collected, mostly from Dalits and marginal farmers. When it was presented to the Minister of Agriculture for AP, he said publicly that *Vision 2020* was not a policy and that the farmers’ opinions would be taken into account (Satheesh 2005). Some believe that the rate and pace of change were significant factors and that if Naidu had negotiated with the Bank over the speed and spread of reforms, he might have been more successful (Galab 2005).

One factor that might call the reasons for electoral change into doubt is lack of substantial difference in the approach of the new government at a regional or national level. Whether the Congress-led government will offer anything tangibly different in terms of planning, or overall economic policy, remains to be seen. “[M]any observers believe it is unlikely that major policies, including talks with Pakistan, will be affected even by a change of government” (*Financial Express* 2004). The DFID (2004: 14) agrees, commenting that “the two main national political groupings have similar perspectives on economic reform”. More likely are “adjustments to the packaging and presentation of the reform process” which would mean

reorienting policy towards rural areas and prioritising social and developmental concerns, commentators agree that their policies are likely to maintain the NDA’s broadly reforming agenda. ... The likelihood of continued reform has been enhanced by the fact that there are two prominent economists leading the UPA government; Prime Minister Singh and Finance Minister Chidambaram. Manmohan Singh has explicitly stated that “reform with a human face” will be a

priority of his government (House of Commons International Development Committee 2005a: 27).

This would seem to be at odds with the trends of development policies globally which expect uniform standards despite an explicit commitment to country-specific ones. This might be seen at the scale of AP too, where there seems to be a push towards corporate farming across the state regardless of the local social or agroecological conditions.

The HoC report suggests that the degree to which a human face is presented is within the influence of the electorate – but pessimistically notes that

The lack of effective grassroots pressure for the fulfilment of electoral commitments in India seems bound to limit the pro-poor outcomes of government policy-making, and the Gol has yet to engage with this issue (House of Commons International Development Committee 2005a: 25)

### **Reform without advantage**

AP's growth rate was not as forecast, suggesting that policy reform was not enough to guarantee high economic growth. A 2000 study by the Rajiv Gandhi Institute ranked Andhra Pradesh only 12<sup>th</sup> out of 18 in terms of state economic performance, although Naidu had been following his liberalisation agenda since the mid 1990s. Even in terms of investment climate the state only ranked 9<sup>th</sup> (*The Economist* 2000). The Government of India assesses performance using a function of per capita income, poverty and literacy, and according to this, AP slipped from 9<sup>th</sup> in 1990/91 to 10<sup>th</sup> in 2000/01 (World Bank 2004e: 15).

Similarly, a 2004 report from the World Bank (2004: 3) *Unlocking Andhra Pradesh's Growth Potential* agreed that the state is a leader in reform, but not yet in growth or poverty-reduction. State GDP has remained at pre-reform growth rates and poverty reduction is far lower than other states in the south, Kerala for instance reduced poverty between 1993-4 to 1999-2000 by 45% while the AP rate was 17%. There have been substantial improvements in some exports, like software, but the contribution to poverty alleviation is insignificant and has not touched the poorest (Narasimha Reddy 2005).

The degree of involvement of McKinsey in the Vision 2020 project in Andhra Pradesh has been heavily criticized, particularly given the project's aim to reduce poverty. McKinsey is an elite and business-oriented consultancy not traditionally involved in

social policy (Lynn 2000). Harsher critics allege that “McKinsey knew nothing about India” and the report reflects the vision of an international management company. The growth rates were too high to be believable, and the aims were unrealistic, so much so that it is described as “a document designed to cheat people” (Narasimha Reddy 2005). Srinivas, a representative of the national journalists' union, based in Hyderabad, thought that McKinsey simply applied World Bank philosophy to AP (Srinivas 2005). A recent report on India and UK funding from the pressure group Christian Aid is very critical of the role of the private sector and the wide “deployment of liberalising consultants” by DFID (Christian Aid 2005: 3). In particular they cite the involvement of the Adam Smith Institute and its award of the contract for running the Implementation Secretariat (IS) in AP. The IS was to assess state assets, in order to decide whether to keep, downsize or close them. The choice of the Adam Smith Institute was particularly controversial, given their “free market fundamentalist” approach (Christian Aid 2005: 23).

Naidu and his government did not articulate the mechanism of the policies in any detail, they were simply presented as being the way to increase growth and eradicate poverty (Srinivas 2005). Spokesperson for the Deccan Development Society (DDS) P.V. Satheesh (2005) considers this to have been a deliberate strategy, describing *Vision 2020* as “a kind of mischief” which did not admit the reality of the reforms or their implications. In the case of agriculture, policy regarding the role of the corporate sector is vague, in particular with regard to the small and marginal farmer. The potential implications for agricultural reform on poverty are therefore simply not articulated (Murali 2005). Narashimha Reddy (2005) believes that the externally driven liberalisation policies will fail because, unlike in the case of China, there has been little or no planning for rural enterprises, thus creating the “current crisis of rural poverty”.

Most of the poor in AP (as in the country as a whole) are in rural areas, the majority are in the rain-fed agricultural areas, the drylands – and they belong to certain social groups, the Scheduled Tribes and Castes, who are often illiterate. Traditionally excluded, without targeted intervention by the state their situation will not change (Narasimha Reddy 2005). Around 80% are small and marginal farmers or landless labourers who own 35% of the total 10 million hectares of cultivated land. Much of the farming is carried out by women (Pimbert and Wakeford 2002: 8). The HOC report into DFID aid to India lauds the approach of DFID to attempt to address exclusion in all its projects, but believes the focus is not sufficiently tight and that more should be done (House of Commons International Development Committee 2005a: 30). However, PV Satheesh (2005) of DDS says that

what DFID does is through APRLP portray itself as something with an ear to the ground and sympathetic to poor peoples voices – but when it comes to allocation of budgets or policy implementation they are no different to the World Bank (Satheesh 2005).

Weisbrot et al (2004) question if poverty reduction should be dependent on liberalisation, calculating that a relatively small amount of targeted aid (only 0.1-0.4% GDP of industrialised countries) would be needed to achieve the same change as is forecast from trade.

### **Agriculture as engine of growth or dysfunctional farming?**

In embracing the idea of liberalisation, it also seems that the AP government overlooked previous evidence. China and India both had success in agriculture when they offered assured domestic markets to producers, and this brought food security to many. The Bank and DFID are strong players in global agriculture and are encouraging liberalisation. However, their policies seem to protect the food dominance of the North, and the activities of corporations, rather than help countries like India to emerge from the hunger trap. India's problems are different to those of the North, for instance the number involved in farming is massive. Without the ability to grow their own food, they have no prospects for alternative employment and little chance of being able to buy it. "The majority of people in India need to produce their own food – something that the DFID refuses to accept" (Sharma 2005).

Agriculture was promoted as a major part of the strategy for accelerated economic growth in AP. However, at the same time it forecast that by 2020

agriculture's share of employment will actually reduce, from the current 70 per cent to 40-45 per cent, in line with a shift in Andhra Pradesh's economy (GoAP 2000b: 168).

Also assuming that "large-scale farming using modern technologies would become the norm" the state government has been criticised for "neglecting the needs of the existing rural population" (House of Commons International Development Committee 2005a: 41-2).

The dependence on the Western model is flawed, according to NGOs, unions and farmers in the state. In Warangal in Northern AP, Mr Murali (2005) of MARI believes that "there is definitely something wrong about the kind of production system farmers were forced to adopt in the last 15-20 years". P.V. Satheesh (no date) claims that agricultural

policy has “decimated family farms ... and turned agriculture into an industry”. Of market driven US and European agriculture, Sharma (2005) says it has led to an “epidemic of obesity” and “we have to question this kind of market wisdom”. On the one hand 840 million people go to bed hungry, but there are 1.2 billion who are obese.

The trends in global agriculture are considered particularly problematic for the dryland regions. Drought, arguably a result of rainfall pattern disturbance by climate change, has increased the pressure on dryland water supplies, and the farmers suffer unpredictable and inadequate rainfall, but irrigation is difficult and costly. A lowering water table increases the capital cost of a new well, and the power needed to run the pump. Power supplies, are erratic and a subject of controversy. The increase of commercial farming also meant increased inputs to agriculture; after Naidu was elected the chemical pesticides consumption increased drastically (Tulasidas 2005).

This western model of capital-intensive agriculture uses new seeds, new technologies and ongoing investments, with most inputs being externally and privately supplied (Tulasidas 2005). The privatisation of the Indian seed industry is increasing reliant on costly external inputs, increased monoculture and risk for farmers, and there has been a resultant reduction in the role of public bodies in many aspects, for instance credit, meaning that farmers pay higher interest rates (Shiva and Jafri 2002: 173). The commercialisation and privatisation of services such as education and health, which mean that even poor families will pay school fees, have forced farmers to try and maximize output and profit, which again demands greater investment (Ramanjaneyulu 2005). Farmers are investing more, while at the same time being exposed to greater risks.

In some parts of the Warangal district of AP the privatisation of the seed industry has meant a shift from polyculture based on pulses, millet and oilseeds, to a monoculture of hybrid cotton. The risk of crop failure in monoculture is greater as pests can spread more easily (Shiva and Jafri 2002: 170). Here, crops have suffered increased pest attacks with monoculture and rain failure, exacerbated by the fact that predator insects are killed by the chemicals as pests build up resistance (Murali 2005). An additional risk of monoculture is the dependence on one crop for the global market. The 2004 chilli harvest was good, but the abundance made for low prices. Even so, some farmers were forced to sell immediately to realise cash for debt repayments. Others put their crop into storage to wait for prices to rise. However, storage is expensive and prices have remained low, leaving the farmers with little option but to give the chillies as payment to the storage firms, and forfeiting any income (Murali 2005). Formerly successful nut oil

and silk production in the state has been abandoned due to competition from cheap imports (Galab 2005).

Oil nut production was worst hit in Anantapur, where farmers were then encouraged to switch to cotton, another high input crop. The consistent failure of cotton, growing in an area of particularly low rainfall, meant farmers were pushed deeper into debt (Tulasidas 2005). The use of pesticides in farming is particularly high in cotton, and very high in Anantapur, which of course increases production costs (Hassan 2005). The cost of inputs can mean that cultivation is more than the value of the crop (Lingaiah 2005).

Thus the small farmers of AP are being forced to engage with the global market, selling produce and buying inputs at fluctuating prices. Increasing costs, such as those associated with the packages of inputs tailor made for GM seeds, makes farming “more cost oriented” (GoAP 2004b: 69). This marks a change from the traditionally labour-oriented agriculture, and being forced into global competition “has played havoc with the lives of the farmers” (ibid). The same report specifically notes that Bank influence, with the reduction of state support to farmers, has made cultivation “a burden” (ibid: 70).

High debts, coupled with poor returns force farmers into debt and many have been forced to desperate measures, even suicide. In AP suicides are highest in the cotton growing belt in areas such as Anantpur (Tulasidas 2005). Thousands of farmers have committed suicide in the state, the largest farmers' union claims to have the only accurate count, standing at 3000 until the election in May 2004, and 1300 since (Tulasidas 2005) (Christian Aid (2005: 13) give a total for 1998 until 2005 as 4378, with some hundreds in the previous year). The Ministry for Rural Development describes the reasons for the suicides as very complex, with spurious inputs and credit access all playing a role (Das 2005). Christian Aid (2005: 26) confirms that there is additional pressure on farmers who have to deal with small firms “in a range of activities like the sale of inputs, money lending and trading in agricultural commodities” who demand a greater and greater share of the profit. Certainly farmers who are tenants, and who therefore cannot qualify for government or official credit, are forced to take private loans, usually at high interest rates. Sharma suggests for each suicide, many more farmers are taking other desperate measures, such as selling kidneys, or abandoning their land (Sharma 2005). Poor farming families may sell girls, since they represent only cost to a family under pressure. In some cities like Chennai, many of the prostitutes are girls from poor rural backgrounds (Tulasidas 2005).

Although also a national phenomenon, the earliest recorded farmer suicides in AP were in 1997, 2 years after Naidu came to power. They were initially limited to certain districts but then spread throughout the whole state. Worst affected was the district of Anantapur, where commercial crops had been encouraged and drought intensified the problems of costs and output (GoAP 2004b: 1). The national total of suicides is estimated at 22,000 (Christian Aid 2005: 14).

In response to the suicides and to be seen to keep its promise to pay more attention to the plight of farmers, the new state government announced an investigation into the problems. A farmers' welfare commission was chaired by a Professor of Economics, Jayoti Ghosh, described as a left-leaning academic. The Commission reported in 2005 and linked the suicides directly to public policy and economic strategy, which was "substantially determined by agencies like DFID" Ghosh (cited in Christian Aid 2005: 23). Patnaik (ibid: 14) also linked the suicides to the corporate model of agriculture which was driving farmers further into debt. A coalition of Indian NGOs pointed to the liberalisation strategies as represented by the AoA, and stated that

the incidence of farmers' suicides in India and other developing countries has shown an alarming increase and the deepening and complex economic and social crisis in the farming sector is largely a result of the approach underlying the AOA framework (NGO statement 2005).

This is consistent with the findings of Ghosh, and she observes that the general approach to privatisation has removed public protection from farmers. She continues that what is "interesting" is that this is done "in the name of the poor" and "in the guise of aid". On the one hand, the "British government are making a very big deal out of the inequalities in India" while "promoting policies that systematically undermined that position" (Christian Aid 2005: 30). Michael Hart of the SFFA would say that this degree of desperation is also experienced by farmers in the West and the suicides reflect a global crisis in agriculture, the root cause of which is the pressure of the global market, which decreases prices for farmers (Hart 2003).

In reviewing the sustainability of agriculture in AP, it would seem that the corporate model in the drylands poses various problems. Being high input farming, it requires synthetic fertilisers and pesticides and usually demands some form of irrigation, implying costly water extraction. These pose a health and environment risk in themselves, while the monoculture encouraged by export-oriented farming increases the potential for crop failure due to pest or disease. Additionally, the drive for consolidation of land will decrease the number of people employed in the sector.

However, Dr Ramanjaneyulu of the Centre for Sustainable Agriculture (CSA) in Hyderabad says that “given the chance no farmer would leave because they know that there are no alternatives. The situation is very clearly understood” (Ramanjaneyulu 2005). The state Joint Commissioner for Rural Development agrees. The cities cannot offer employment for millions more unskilled workers which could leave the land (Das 2005). Sharma (2005) also observes that although most farmers recognise the problems of smallholding agriculture, currently it is their only hope for income or food supply. Furthermore, any improvement of the situation requires local, not global solutions.

### **What has been the effect of challenge?**

*Vision 2020* was presented as a strategy that would meet the needs and serve the interests of all groups in the state. Any state policy would have to directly address the problem of poverty in some way. However, in this case the argumentation appears to have been very simple, that is that economic growth would bring about poverty reduction (and all the other goals in the mission statement) and therefore any strategy that encouraged economic growth was consistent with the interests of all of the people in the state.

The notion of modernising the state is well-established in India, and to some extent *Vision 2020* was consistent with this. However, whether or not the poorest groups would be in a position to benefit from the technology and so on in modern society is another matter. The development and use of modern technologies do not necessarily affect social indicators. As Lester Brown (2003) drily observed,

India ... opted early on to become a nuclear power. As a result, it now has the dubious distinction of being able to defend with nuclear weapons the largest concentration of hungry people in the world.

Despite being consistent with the aims of the Indian state, the policies of *Vision 2020* did not achieve the expected reduction in poverty and the farming sector has been plunged into crisis. Many farmers and critics felt that the discourse was false and deliberately exaggerated the claims for the policy of liberalisation. It was felt by some that *Vision 2020* actually represented the interests of corporations and the urban middle classes, rather than poor farming communities. It has also been said that *Vision 2020*, being produced by a consultancy recommended by the Bank, was simply a justification for World Bank policies for the state of AP. The resultant disjuncture between the discourse and policy effects seems to have been a major reason for the election loss.



So it seems that whether or not it was a deliberate misrepresentation, the orthodox development approach, as expressed in *Vision 2020*, lacked legitimacy because there was a mismatch between policy and explanation, or policy and discourse. What remains interesting however, is that the new government, while employing a poor-oriented rhetoric, is accused of being prepared to change even more rapidly than the previous government.

#### **2.4. Are there identifiable alternatives to the liberalisation of agriculture?**

Many are hopeful that the new government and the donors will allow more nuanced and specific policies, to reflect regional and local differences, “everybody has to be heard and regional differences have to have influence” (Parmar 2005).

On the other hand, some do not believe that the new Government offers anything different. Retired Professor of Economics in Hyderabad, Narasimha Reddy (2005) believes that it is “even more aggressive about opening up”. The BJP were rather more nationalist and therefore showed a degree of caution, but with the present coalition “the whole direction is reform oriented” and while the left might have influence they are also resigned to globalisation. Reddy continues that there are already “blatant moves to encourage foreign investment and sacrifice profitable state enterprises”. Sharma (2005) believes that the corporate agenda is so widespread that “all governments whether they are left, right or centre follow the same agenda”. They seized the farm problem to gain popularity, but their budgets from February show their commitment to liberalisation, where they indicate many incentives to corporate investment in agriculture.

A real alternative to the development pathway prescribed by *Vision 2020* would be a sustainable agriculture which is sustainable by most measures, whether financial, environmental or social.

#### **Sustainable Development and Agriculture**

If it is accepted that business and the donor community is currently engaged in sustainable development, then the logic is that large scale commercial farming with high external input (HEI) is consistent with this. Alternatively, as is demonstrated by agriculture in AP already, there is a local-resourced form of low external input (LEI) agriculture (Pretty et al 1995). Dr Ramanjaneyulu (2005) of the CSA defines sustainable

agriculture as one which is "local resource based, which doesn't harm the environment, and which is economically viable", unlike the high external input (HEI) model which has been imposed indiscriminately in all areas and on all types of land. Importantly, in AP there is a need for a large number of small farms in the drylands to generate enough to secure a livelihood for the farmers and their families. Ideally, the farmers produce food for themselves, excess for sale if possible, but with low inputs. This means conserving water, minimising or removing dependence on external seed or input supplies, the avoidance of debt and engagement with local markets. Self-help groups are being funded by government and external agencies, to share knowledge, credit and information. This gives the farmers, often women, more control over their money and their practices (Das 2005; Samal 2005).

Figure 34 highlights the differences between the two extremes, although practices could be seen as being anywhere along a continuum between them. It is an attempt to assess the contrasting models of agriculture as seem to be presented in AP, in terms of the principles of sustainable development.

|   | <b>Economy/<br/>Environment<br/>Balance</b>   | <b>Futurity</b>   | <b>Environmental<br/>Protection</b>   | <b>Equity</b>  | <b>Quality of Life</b>  | <b>Participation</b>   |
|---|---|---|---|--|---|--|
| <b>Treadmill</b><br>Liberalised<br>agriculture<br>( <i>Vision<br/>2020</i> )        | Maximised yield for<br>export. Demand-<br>driven, high external<br>input (HEI). GM<br>crops.<br>Monoculture. Land<br>consolidation,<br>reliance on contract<br>farming. | Not a problem,<br>technology will find<br>solutions   | GM seeds are<br>assumed to reduce<br>inputs.  | Not an issue.<br>Displaced farmers<br>will find jobs. State<br>wealth will trickle<br>down.  | To increase GDP<br>(which will<br>eradicate poverty).                     | Model imposed by<br>World Bank and<br>donor governments.<br>Products for the<br>global markets.  |
| <b>Ideal</b><br>Sustainable<br>agriculture<br>(Alternative<br>local based<br>model) | Based on needs<br>rather than wants.<br>Low external input<br>(LEI).<br>Polyculture. Small<br>family and<br>community farms.  | Preservation of<br>biodiversity and<br>local crops, should<br>allow future food<br>security.<br>Increased chance<br>of leaving land in<br>good condition for<br>future generations. | Use of local seeds<br>and low inputs<br>increases protection<br>of biodiversity, as<br>does use of traditional<br>techniques.<br>These are also<br>designed to grow with<br>rainfall. | Farming methods<br>offer greater<br>chance of<br>maintaining food<br>output from land.<br>Offer a relatively<br>secure livelihood<br>for which there is<br>no alternative. | Food security,<br>autonomy, whilst<br>ensuring quality of<br>environment. | Local, participatory<br>decision-making,<br>local knowledge<br>relevant.<br>Local use primary<br>concern.<br>Engagement with<br>local markets. |

**Figure 34. Sustainable agriculture (after Baker et al 1997: 9)**

The *Vision 2020* model skewed towards agricultural liberalisation seems to fit well into the extreme of the industrial model, and is a form of treadmill development. It considers high productivity, based on modern technology, land consolidation and corporate involvement in farming to be the ideal. Given the central role awarded to GM by the Naidu's government, it would seem that they would most likely rely on technology to keep pace with changing demand. In that respect, futurity was not considered a problem. Similarly, with environmental protection, it is either thought to be provided by technological changes, such as GM which allegedly reduced the need for external inputs. The broader issue of increasing carbon emissions with HEI and trade is not raised as a problem. *Vision 2020* prioritised high rates of economic growth and presumed that this was sufficient to ensure a secure future for everyone in the state by 2020. There was no comment on what might happen to people in the interim. Finally, the policy of liberalisation was imposed on the people of AP with no participation and little explanation and this quite possibly resulted in the rejection of the government in May 2004, or at least contributed to it. The dependence on remote markets, and lack of control over their own future, has already driven many farmers to suicide.

In contrast, LEI agriculture minimises the impact on land and increases the chances of maintaining output over time. The growth of local crops which respond best to the agroecological conditions minimises water use, protects the soil and offers appropriate high-protein food sources. Low pesticide farming, or the absence of pesticide use, reduces health problems during application, is environmentally preferable and is lower cost (Lingaiah 2005). A diversity of crops is favoured, which increases the productivity of land unit and this gives diversity of income sources and increases the chances of viability (Galab 2005). The size of the population in AP and throughout India is one reason why many of those interviewed defended small farm agriculture. Mechanised agriculture offers too little employment, and there is already high unemployment in the cities and there is little unskilled work, so "sustainable agriculture is the only alternative" (Lingaiah 2005; Ramanjaneyulu 2005). Landless labourers often have less than 100 days work in a year, and as a result suffer from transient hunger. Labour-intensive agriculture is a short-term answer to hunger and poverty, and could offer the basis for more broad-based economic development (Shukla 2005). It offers the farmers more control over their lives and a degree of security. In this vision of AP, the excess produce is aimed at local markets, which are better understood, more predictable and therefore offer sustainable outlets for

produce. The prioritisation of local markets is also desirable in reducing transport and therefore carbon emissions.

Padma, a Dalit farmer living close to Hyderabad has been practising low input, organic farming for eight years. She has 5 acres of land, 3.5 of which are cultivable, with two buffalo, and even in years of low rainfall she produces food sufficient for her family. In better years she has a surplus for sale. Having been forced to migrate for work in the past, such as quarry work, she now has control over her future, and an assured food supply (Bhongir Farmers group 2005). This might be argued to be an ideal form of sustainable agriculture, but it is of course not to say that the model should be promoted for all situations. Rather it proves, particularly in the context of farmer suicides, that location specific cultivation with a range of models should be developed instead of the imposition of one (Sharma 2005).

There are variants of the LEI model. For instance, simply minimising synthetic input use, with training in best practice of application and therefore lowering costs would be located towards the ideal model in some of the categories. Similarly, organic farming for export, is more of a compromise and can expose farmers to risks from remote markets, increases carbon emissions from transport, and quite possibly has a higher water demand (Ramanjaneyulu 2005). It may also be appropriate to improve on current practices with the development of appropriate technologies and cooperative techniques. Peace is working with farmers in Bhongir to develop a community supply of compost, and to store seeds which the farmers may not have the capacity to do (Nimmaiah 2005).

Thus sustainable agriculture based on cooperation and collaboration offers a real chance for small farmers, particularly those on marginal lands, to attain food security. Institution building, so that there are self help and support groups is essential, as is the improvement of low input technologies, rather than high-tech industrial solutions.

## **2.5. Summary**

Clearly, the reality of continuing hunger and poverty in India and AP indicates the need for action of some sort on development. The fact that that it will be difficult to even meet the fairly modest MDG goals on poverty and hunger, means that action is

even more urgent. If the orthodox community's lead is followed, this means the prioritisation of liberalisation, in particular that of the agricultural sector.

India is said to have benefited from liberalisation in the past and this is put forward as supporting evidence for the problem-solving ability of liberalisation. Additionally, given the massive size of the agricultural sector and the preponderance of rural poverty, the argument is that it offers great potential for change which could affect the largest proportion of the poor. The fact that only a small proportion of the current trade-earned GNP is from agriculture is believed to demonstrate the potential of the sector. A striking feature of Indian policy generally (and one which dates back to Nehru) is the vision of the modern Indian state with high levels of income and quality of living, strongly consistent with that of the orthodox community.

However, the suitability of the policy of liberalisation for India as a whole is questionable. Firstly, a coalition government will inevitably face a crisis of legitimacy in the pursuit of policies which are not universally popular, and this could itself lead to discourse failure as policies rarely reflect the interests of all groups equally. In the case of liberalisation, the donor agencies and corporations occupy positions of influence, but the government relies on the support of the people, and if large proportions are dissatisfied, the government will be challenged, or lose at election. The validity of the MDG goals can be queried given the differences in the target levels depending on the method of calculation chosen. Even a goal of reducing extreme poverty is problematic, since it implies moving people from "extreme poverty" (itself a rather arbitrary measure) into the category of 'poverty'. Additionally, if all benefit proportionally, the lowest income groups will remain lowest income, and the differences or inequalities between the richest and poorest will increase with proportional gains. Furthermore, there is reason to doubt the linkages between hunger and poverty reduction, or liberalisation and growth. Thus there are failures of discourse demonstrated by a disjuncture between the policy and its explanation. This might be because the discourse is imperfect (that is it misrepresents the policy, or makes unrealistic claims) or it might be a failure of the policy itself.

AP is one of the states chosen by both the Bank and DFID for direct funding, and was selected, largely because it showed most reform-orientation, which was in no small part due to the nature of its leadership. Naidu's vision was of AP as a modern state based on the expansion of new technologies and external investment. His high profile made him internationally visible and a commitment to reform and good

governance ensured Bank and DFID funding. However, the desire for external funding was not only to modernise the state but also to service massive state debt, thus Naidu had economic imperatives which had to be addressed.

The private sector was integral to the production of the state strategy. Bank conditionality required McKinsey to prepare the state strategy paper, *Vision 2020*, and critics decry the wide “deployment of liberalising consultants” by DFID (Christian Aid 2005: 3). The employment of international consultants seems to have had the effect of ensuring coherence of approach and convergence with the orthodox discourse. The increase of economic growth has become a matter of urgency, and would be partly achieved by agricultural reform; defined as modernisation and liberalisation. Furthermore, application of technologies provided by the private sector has also been central, such as the use of GM seeds. GM is thus presented as part of the answer to hunger, poverty and malnutrition, by increasing yields, increasing incomes and producing nutritionally-enhanced crops.

The policy of agricultural liberalisation in AP was communicated via *Vision 2020* and promoted as an essential facet of state modernisation. Poverty reduction has always been an aspect of national and state politics in India, given the large proportion of poor in the population. *Vision 2020*'s strategy for poverty eradication was dependent on rapid economic growth. In presenting the policy of liberalisation as appropriate for AP, the discourse did little more than reiterate the arguments about the relevance of the strategy of liberalisation generally (to reduce poverty and hunger by increasing income) and for India as a whole (having a large rural poor and great potential for trade). The strategy was closely associated with the personality of Naidu, who benefited from good relations with the media and who used a sophisticated public relations machine to keep a high profile. He relied upon showcase infrastructural projects and promoted the image of AP as a modern, high technology state.

The policies of liberalisation were justified as appropriate to AP because of its agricultural, mineral and communications potential. By correctly exploiting these advantages, the state could achieve rapid economic growth and this would achieve a revolutionary change in lifestyle for all by 2020.

In dealing with questions of legitimacy, electoral change is again put forward as proof that the reform policies promoted by Naidu had questionable legitimacy, whether this was a vote against liberalisation, or more of a protest at the lack of attention paid to

the rural poor. However, the reforms have not been accompanied or followed by the expected growth rates or reduced poverty indicators in AP. Increasing liberalisation has seen only a stable growth rate, but slightly worsening poverty. Thus there is a similar disjuncture at the state level as at the national level with claims made on behalf of policy and their apparent effects. Of particular concern is the apparent effect of these policies on the poorest in the rural community in AP. Small and marginal farmers disproportionately comprise the excluded groups of lower castes and tribal groups. The corporate model of HEI agriculture encouraged by the IFIs has increased the pressure on these farmers to cultivate export crops, or even to vacate their land. The liberalisation of the sector has meant that small farmers are left at the mercy of unscrupulous businesses which exploit them and leads them into deeper debt. At worst, farmers (over 4000 in 6 years) have been driven to suicide. Others are forced from the land by debt. Vision 2020 forecast that the level of employment in agriculture would be drastically reduced by reform, but offered no alternatives.

The unsustainable debt generated thus far by HEI agriculture in AP is just one factor that calls into question the sustainability of the model as one for all to follow. There are problems with water supply, costs of inputs, the health and environmental problems caused by some of those inputs, and the vulnerability of farmers on the global market. Therefore, Western model agriculture could be argued to be entirely at odds with the core principles of sustainable development. This is not to say that all farming should be subsistence, but that there should be a degree of flexibility, in national government policy and in policy as encouraged by the donor institutions which allows a locally suitable form of agriculture, which caters for local markets and local food security as a priority. Sustainable LEI agriculture as outlined above offers a solution for many small farmers in AP.

The indications here are that orthodox development is predominant in the policies of India and AP, despite evidence which suggests that the success of those policies is doubtful. A wide range of actors accept liberalisation as the future, and for the most part if there are disputes it is about speed of adaptation. Thus there is strong evidence to suggest that the policies are the result not of national or regional politics, but the internalisation of the orthodox policies via the influence of the IFIs at a strategic level. In the concluding chapter the relevant themes will be highlighted in order to try and answer the central research question.



## Chapter seven: Conclusions

As stated in chapter one, the intention of this thesis was to address the question 'to what extent can we explain the liberalisation of agriculture as a pathway to development in Andhra Pradesh?'

In order to examine this question, the study has considered the orthodox international development approach and its relationship to economic liberalisation, the related sector of agricultural liberalisation, the policy application of the latter in Andhra Pradesh, and potential alternatives. The intention was to examine the discourse of international development, and its relationship with policy, at various levels to identify interrelationships, consistencies and contradictions. This was in order to understand whether the policy was a product of a desire to serve the needs and interests of the most vulnerable groups, based upon evidence, or if it could be a result of the dominance of certain ideas about development, as expressed in the discourse defining and explaining the approach. The ultimate aim was to identify an alternative pathway which might be more appropriate and better able to solve the problems of those groups.

The discourse in this case is primarily that used to describe and explain *Vision 2020*, but this was considered in the context of the other levels of international development discourse and its use by the relevant actors. Therefore, this work has considered a range of information sources relevant to *Vision 2020*, orthodox development and agricultural liberalisation. This has included policy documents, supporting statements from policy actors, criticisms of those policies, the counter arguments offered and the presentation of alternatives.

This chapter will consider the answer to the central question with reference to the framework set out in chapter one and within the context of the overall arguments made in the thesis. The questions to be addressed are in figure 35 below.

### **1. What conclusions can be drawn from the analysis?**

The research framework outlined in chapter one helped to break the central question down into smaller areas of study, thus simplifying the problem and facilitating

**1. What conclusions can be drawn from the analysis?**

- What are the implications of analysis for the central question?

**2. What is the nature of *Vision 2020*?**

- What are the key constituent elements?
- How are elements constructed?
- How might the elements influence policy?

**3. How was *Vision 2020* presented as problem solving?**

**4. Which actors have been key in developing *Vision 2020*?**

**5. How was *Vision 2020* presented as relevant to particular situations or audiences?**

- How does it reflect norms and interests?
- How was *Vision 2020* communicated to the public and wider world?

**5. What challenges and criticisms have there been?**

- What criticisms have there been?
- What crises have questioned its problem-solving ability or its appropriateness?

**6. What has been the effect of challenge?**

- Have there been demonstrable changes in policy or discourse?
- Have alternatives been posed or emerged?

Figure 35. Concluding questions (after Schmidt, Hay, Hajer, Howarth and Fairclough)

comparison at the different levels. As said initially, this is especially important when approaching an issue with such a breadth of literature as the one under study here. The framework facilitated the examination of ideas about international development as demonstrated by the way in which the issue is described and defined, the, evidence for success or failure, and the actors involved and their interrelationships and interests.

Obviously such a study relies heavily on the interpretation of the author and it is unlikely that a researcher could ever exactly identify the interests or motivations of an actor in a policy. Nevertheless, an understanding of the elements, the actors and their contexts, and the criticism levelled against them, can allow an informed interpretation of events and statement, and allow reasoned conclusions to be drawn. The assumptions about the necessity to reduce poverty, and the responsibility of the global community to ensure this, reflects the normative position of the author and will doubtless affect any judgement about the answer to the central research question.

The purpose of this thesis was to consider to what extent it is possible to understand agricultural liberalisation as a pathway to development in Andhra Pradesh. Whilst it is impossible to answer this with complete certainty, it is possible to offer an explanation supported by the evidence and arguments discussed in this thesis. The study has tried to differentiate between policy, as the implementation of an approach, discourse, as the explanation of that approach and ideology as the potential reason for that approach. In this case, the policy of international development is exemplified by *Vision 2020*, discourse by the way in which it is explained as problem solving and appropriate, and neoliberal economics as the ideology which guides policy-making. In doing so, it has revealed the influence of ideology over policy, and the power of discourse in interpreting that policy.

### **1.1. What is the nature of *Vision 2020*?**

In consideration of the central question, this study considered the elements of the discourse of international development, their formulation and implications, as well as some other elements specifically relevant to agriculture.

The policy of liberalisation as presented in *Vision 2020* was entirely consistent with the other levels of study. The presumption was that liberalisation, in particular that of the agricultural sector, would bring about growth and lead to an eradication of

poverty, sufficient food for all, and a high standard of living within 20 years. This is consistent with the orthodox discourse, which presumes liberalisation will lead to economic growth, and will benefit all. It also implicitly accepts that economic growth will necessarily reduce individual poverty and that food security will be achieved via the market, which is an important feature of the discourse of agricultural liberalisation. Hunger has thus been redefined as a problem of income (rather than distribution of, or access to, food) and therefore demands the same policy response as poverty.

The consistency of these arguments is in part a result of the construction and definition of the issue and its elements, which are reflected at each level. From the earliest years within orthodox development, poverty was a purely monetary measure and therefore argued to be solved by increased growth. That growth, as measured by increased GNP, would indicate increased income and therefore decreased poverty, since trickle down of wealth was presumed to occur. From the 1940s the growth required to achieve increased GNP was expected to be driven by trade, although always within a system in which the state retained a role as regulator and primary actor. With the rise of neoliberal economics in the 1970s and 80s the role of the state was rejected in favour of the increasing importance of the market as the means of delivery and trade was replaced by the broader concept of economic liberalisation. Liberalisation was now applied not only to trade but to all sectors of the economy, including investment and finance. State support and regulation was increasingly seen as preventing growth.

Modernisation was another element of *Vision 2020* which was identifiable in the orthodox discourse and that of agricultural liberalisation. At each level, the alternative to western standards of development was “backward” and undesirable, and generally considered the cause of poverty. Thus, it can be argued that the initial definition and description of global poverty and the policy response of international development set the tone for over 50 years of global policy making. The convergence of policy was intensified with the collapse of the Soviet Union reinforcing Margaret Thatcher’s famous assertion that “there is no alternative” (Young 1990: 153). Economic liberalisation was the common sense solution, which had now become the only solution. The arguments put forward as evidence for the problem-solving ability of liberalisation support this.

## 1.2. How was *Vision 2020* presented as problem solving?

The problem solving ability (or cognitive aspect) of a policy is closely linked to the structure of the elements and their interrelationships. In the case of *Vision 2020* the backward nature of AP society was implied if not articulated. Naidu was a moderniser, and his policies would eradicate poverty. The high levels of poverty and hunger in India and AP necessitate a response of some sort, and implicit in *Vision 2020* is the acceptance of the orthodox linkages between liberalisation, growth and poverty reduction. Throughout the policy documents for *Vision 2020* are claims that liberalisation of the economy will achieve poverty eradication, full employment and sufficient food for all. Thus, the “logic of necessity” (Schmidt 2000: 218) of *Vision 2020* mirrors that of the discourse of orthodox development and that of agricultural liberalisation. Furthermore, the appropriateness of liberalisation policies generally are said to be demonstrated by the success of open economies in achieving accelerated growth, as is argued in the case of India.

It is possible then to see consistency at all levels, from macro international development policy-making to sector policy-making in global agriculture and sub-state policy-making in AP. This is of course consistent with neoliberal ideology particularly in the post-Soviet era, illustrated by Fukuyama’s (1999: 387) observation that there was only one path, or no alternative. Economic liberalisation is therefore universally appropriate to solve the problem of poverty as defined and described in the orthodox approach, and the market universally problem solving.

## 1.3. Which actors have been key in developing *Vision 2020*?

An analysis of key actors involved in policy making and its explanation (that is constructing, reproducing or adapting a discourse) will most likely reveal interests. The very involvement of an actor in policy making is indicative of some degree of interest in an issue, and the interrelationships between actors may reveal more about the nature of those interests.

In the case of AP, the official actors involved in the genesis of *Vision 2020* were the state government under the leadership of Chief Minister Naidu, and McKinsey, commissioned by Naidu to write the policy document. As discussed, both the World Bank and DFID claim to have followed the lead of Naidu and his associates. However, the use of McKinsey, and other corporate consultants, was a requirement

of the two donors and is indeed part of a pattern of their involvement elsewhere. It reasonably raises the question as to whose interests are being represented by the required contribution of such a consultancy, particularly when their expertise lies in the corporate sector. McKinsey's original draft was the apparently the subject of some argument. In its original form it was rumoured to have been too radical and had to be made more palatable to the policy community within AP.

However, the actors considered previously at the other levels cannot be overlooked. The World Bank and UK have been shown to be strongly influenced by the US, as described in chapter four. In the case of the Bank this is by virtue of history, location, structure, voting rights and US economic power. The policies of the Bretton Woods sisters and the WTO have shown increasing coherence over the last decade, as demonstrated by their coherence agenda (WTO, IMF, and World Bank 2003), and to a large extent reflect the interests of the US and its corporations. The US has been explicit in its approach to food aid which is intended to prime markets for food exports and directly benefits the agribusiness multinationals. Furthermore, the Bank and other IFIs employ the principle of conditionality, and thereby enable the private sector to gain access to markets in the South, effectively propagating neoliberal economic policy throughout the globe.

As argued earlier, the prominence of both trade-oriented and economic liberalisation policies has increased the role of the private sector. From the early years of international development, companies offered technical expertise as part of the development project, and this became almost formalised via tied aid. In recent years the expectation has been increasingly that companies would provide the means to deliver essentials including health, food and education. The major corporations are seen by the orthodox development community as obligatory, essential partners in policy development and implementation. Their influence can be seen at the highest strategic level, as exemplified by the role of the former Vice President of Cargill, Dan Amstutz, who is said to have drafted the original text of the AoA on behalf of the office of the US Trade Representative (USTR) (Shiva et al 2003: 7; ActionAid 2005: 25). The discourse presents the interests of the major agribusiness corporations as being consistent with the most vulnerable groups, since it argues that liberalisation will solve hunger and eradicate poverty. However, assuming the primary function of the corporate sector is to protect shareholder value, and the primary need of the latter is access to low-cost food, there is an apparent contradiction. If the problem is

that there are people who suffer chronic food shortage, and have no means to make money, how can their interests coincide with those of corporations?

It has been shown that the US, with the support of the UK, played a strong coordinative role in constructing and explaining the orthodox approach to international development and its replication at other levels. The degree of consistency suggests that this coordinative stage was relatively straightforward. That is, there was very strong coordination of the original approach by the US, which had enormous influence over discourse and policy. Truman and his colleagues firmly established the ideas of underdevelopment and its solutions. The IFIs reproduced the discourse, as did the donor and corporate community, and enabling its wide acceptance. Reformist politicians such as Naidu were able to effectively take the policies 'off the shelf'.

Being able to frame the problem by selecting, modifying or even constructing a discourse, thereby influencing the policy response and how it can be explained is in itself a position of power. For instance, the decision to redefine food security as something provided by market forces rather than enabled by government protection is a case in point. It may be difficult to identify who took this step first, but certainly the government actors who reproduced the idea presumably did so as it allowed them to justify the liberalisation of agriculture as a means to solve hunger. It may therefore enable the actor to ensure that a policy reflects the actor's own interests or those of other actors that it represents, but that the discourse ensures it is presented as problem solving and appropriate.

#### **1.4. How was *Vision 2020* communicated and presented as appropriate to AP?**

Naidu used a sophisticated media machine to communicate his vision to the public. His PR representatives kept him in the media, presenting him as a reformer and moderniser, enjoying high-level political and business contacts. Clearly believing that claims for the efficacy of *Vision 2020* as poverty reducing would be accepted, along with the presentation of his modern image, the policies were not explained very much further. However, in a democracy such as India, which has a large percentage of people falling below the national or Bank-defined levels of poverty, policies that serve the interests of the poor, and that are seen to serve those interests, are crucial. Also

critical is the adequate explanation of those policies in order to gain the support of the population.

*Vision 2020* presented AP has having great potential for agricultural expansion, thus suggesting that the strategy of agricultural liberalisation was appropriate. This argument is frequently made in the context of India and the South as a whole, since for most of those countries their agriculture sector is large, with many small producers. This is only a justification of the choice of sector, otherwise making the assumptions about the approach as in the arguments which support the policy as problem solving.

In the case of liberalisation as appropriate to development in India, it was argued that evidence showed increasing openness of the economy had coincided with increased rates of growth in the past. Openness and growth were presumed to be causally linked and that this demonstrated the suitability of liberalisation. However, this is not explaining how the principle of economic liberalisation could be consistent with the norms and interests of the people, or the most vulnerable communities, of India. If anything, it is simply reinforcing the problem-solving ability of the strategy. Schmidt (2000: 231) suggests that where there is less discussion at the coordinative stage, during the formulation of a policy or approach, there will potentially be greater problems at the communicative stage. That is, if groups have not been greatly involved in formulation they may need to be convinced that it reflects their interests, unless it can be explained coherently by the discourse, or demonstrated by example. If all stakeholders have not been involved to some extent, the policy makers may not have been exposed to all arguments against the approach and therefore have overlooked shortcomings of the policy or its explanatory discourse.

Thus in terms of the “logic of appropriateness” (Schmidt 2000: 218) there seems to be little argumentation, or it is simply consistent with the “logic of necessity”, that is, the policy is appropriate because it is problem solving. The underlying presumption could be that universal policies are appropriate, because poverty and hunger are universal and uniform problems.

### **1.5. What challenges have there been to *Vision 2020*?**

If a policy does not deal with the interests of the groups as described by a discourse, it may not achieve legitimacy, arguably the case with AP and the 2004 election loss.



This could be a result either of the policy not solving the problem that it set out to, or being unable to coherently explain the relevance of the policy, or it being inappropriate in some way (Schmidt 2002: 256). In this case it seemed that the farmers gained no benefit from *Vision 2020* policies, or at least perceived no benefit.

The challenges to *Vision 2020* were in part based on evidence, such as the increasing levels of debts amongst farmers and worse, the levels of suicide caused by that debt. Critics blame this partly on state policies which ignored the difficulties of intensive land use in the drylands, where water supply is a serious and worsening problem. State policies have encouraged water-intensive commercial crops such as cotton, regardless of the local agro-ecological conditions. The failure of the orthodox approach to solve the problems of poverty or hunger thus recurs in AP, since the lot of the most vulnerable communities, particularly those suffering chronic food shortage, remains critical at the beginning of the 21<sup>st</sup> century. The reaction to *Vision 2020*, although at the local scale, simply mirrors the opposition and criticism of past years on agricultural and economic liberalisation, and its inability to solve the problems it purports to.

Various critics argue that one of the reasons for lack of progress is the consistency of policies regardless of situation, country or region. At the local scale, the growing of cotton in areas unsuitable for its cultivation is a result of this. Thus, ignorance or lack of attention to variations in agro-ecological, cultural or economic conditions may be disastrous at any scale. Chang (2000: 16-9) observed the differences between today's industrialised nations and their conditions of development and argued that in the past countries have selectively applied economic protection or liberalisation depending on the state of their domestic industries.

Another common criticism is that the orthodox approach generally fails because it actually is structured to meet the needs and interests of the groups promoting liberalisation, rather than, as the discourse claims, those of the vulnerable groups who should be the prime target of development policies. It could, for instance, be said that *Vision 2020* did not reflect the norms and interests of the target groups, or of the poor and hungry, but rather those of the donor community and corporate actors. It might also be argued that the interests of the ruling and business elites in AP were also served by the policies, under the guise of poverty reduction.

It is frequently asserted that the prime beneficiary of liberalisation policies is the corporate sector, and this was also the case with *Vision 2020*. The modernisation of farming, with the use of new technologies and seed, and engagement in the global market brokered by the major agribusiness corporations was not seen as benefiting the rural communities. The discourse frequently presents the interests of the South's most vulnerable communities as consistent with those of major global corporations. The companies themselves argue that liberalisation will help the poor and the hungry, however the provision of basic food to the poor is not "traditionally profitable business" (Bruno and Karliner 2002: 46). Milton Friedman (cited in Bakan 2004: 54) observed that "a corporation is the property of its stockholders" and as such "its interests are the interests of its stockholders". Those interests would seem clearly represented by the statement that "agricultural development also holds great potential for foreign businesses looking for long-term investment" (McKinsey Quarterly cited in Kneen 1999: 22). Is it therefore tenable to maintain that liberalisation of agriculture in AP will increase food security for the most vulnerable *and* increase profit for the major agribusiness corporations?

Another criticism relevant at all levels of the approach is that of the interpretation or application of sustainable development. The emergence of sustainable development as a politically credible concept was implied as significant, since it offered an approach to address issues of global equity and global environmental problems. However, the orthodox community has been able to use the language of sustainable development without substantially altering the approach. Thus the IFI policies may benefit from association with sustainable development while treating it as synonymous with economic liberalisation.

It would seem, given the strong consistencies in the presentation of international development over time and within the different levels explored here, that the discourse has become very powerful and widely accepted. Whether this is an indication of the power and influence of those driving the orthodox agenda, such as the Bank, US and UK, and the private sector, or whether this is a result of the discourse operating itself as a limit on policy generation is more difficult to say. Certainly, the fact that trade unions who would be considered left-wing or even communist, regard it as inevitable suggests that not only has the recipient government internalised the discourse of the donors (van Diesen 2000), but so have many of the traditional opponents of liberalisation. This means that in coming back to the initial question, the study suggests that liberalisation is pursued as a pathway to

development because it is in the interests of powerful actors, in particular the agribusiness corporations, to do so, and because the discourse presents it as suitable and inevitable. This means that despite cogent and well-founded criticism of liberalisation as the pathway to hunger and poverty reduction, the policy approach seems to be largely unchanged.

### **1.6. What has the effect been of challenge?**

The demise of Naidu's government may illustrate the effect of criticism. He was accused of alienating the poor with his business-image. The discourse of orthodox development was not enough to convince AP's rural communities that it was appropriate for them and so they voted against Naidu and his party. However, it seems that there is little likelihood of the replacement government having radically different policies.

Certainly, the image adopted by the new Chief Minister of AP would seem to be a reaction to the hostility of the farming community to Naidu. He adopted a completely different public strategy. He began to visit farming districts, meeting face to face with farmers and appeared more as an old-fashioned politician, rather than a media manipulator, advocating liberalisation with a human face. There is certainly the widespread hope, if not expectation, that he and the national government will liberalise, but at a slower pace, taking into account the needs of the most vulnerable.

Thus the core approach appears to have been retained, but possibly has been softened. This can also be seen at the macro level, where the discourse presents adaptations as a result of criticism to be significant recognition of different needs, whereas critics argue that they indicate an adaptation of the discourse with little or no change of fundamental approach. The PRSPs are presented as an example of policy making which is more nationally or regionally appropriate. However, the policies have retained a poverty-reduction via liberalisation basis, and effectively still have strong conditionalities. This means that any changes have been at the level of discourse rather than policy, meaning that the effects of those policies are likely to remain constant. Similarly, within the AoA discussions have led to measures for special and differential treatment, although these seem to simply allow more time for countries to adapt rather than to allow them a lesser degree of liberalisation.

The criticisms and failings of the orthodox approach have apparently resulted in the Bank and DFID centralising poverty reduction strategies, but these are generally presumed to depend upon liberalisation. To that end, the donors encourage or require liberalisation or the involvement of actors who will facilitate liberalisation, as a condition of loans. However, the Labour Party in its 2005 election manifesto stated that it would “end the practice of making aid conditional on sensitive economic policy choices, such as trade liberalisation and privatisation” (Labour Party Manifesto cited in Christian Aid 2005: 1). Christian Aid has welcomed this change but wonders if it has come too late, since the principles of conditionality are so embedded in the practices of the international community that it will have little effect. The Bank, it notes, remains “wedded to private ownership in principle” (ibid: 2). Thus it may be the case that the orthodox community no longer needs to force neoliberal policies, since they are now accepted by even radical political groupings as inevitable.

As discussed, one of the reactions to persistent criticism from environment and development groups was the political adoption of the concept of sustainable development. This adaptation of international development was to ensure that policies resulted in initiatives which met the needs of communities, without over-exploiting resources but addressing issues of equity. However, as we have seen, the corporate sector was strongly involved in the international negotiations on this and arguably this has led to the concept often being used as synonymous with liberalisation.

### **Have alternatives been posed or emerged?**

As described above, the alternative policy approach offered by the new government in AP following the May 2004 election, was liberalisation with a human face, with the extent and pace of change adapted to suit local conditions. This human-faced liberalisation can be seen at most levels of the debate, where allowances are made, usually with regard to speed of change, for the poorest states, for instance within the AoA. However, this is not a real alternative to liberalisation, since the central planks of policy remain.

Alternatively, in Andhra Pradesh there are communities of farmers in the drylands who are attempting to pursue a radically different economic pathway to that promoted by the orthodox community. They have identified an approach which is both problem solving in attending to the needs of specific communities, and appropriate, taking

account of the local agro-ecological conditions and economics. This is bottom-up rather than top-down 'development'. The communities in question in AP have effectively applied the concept of strong or ideal sustainable development to agriculture, resulting in a kind of farming which is sustainable in all aspects, including with regard to water, soil and finance. These communities are demonstrating that it is possible to have productive agriculture with minimal financial investment, and minimal ecological impact, which therefore offers a long-term future for food cultivation from small-holdings.

Some locals see the priority to cater for local needs first, but do not discount the possibility of trading surpluses. They do however question the wisdom of engaging with the global market as that brings such risks (Ramanjaneyulu 2005). Others demand a more radical change. For instance, Satheesh (2005) urges a level of local market autonomy which would allow communities to operate without the input of donors or the national government. In the case of the drylands in AP this could mean complete rejection of the orthodox paradigm, in favour of a form of sustainable development, based on agriculture, which is sustainable in environmental and economic terms. Low external input agriculture is financially and environmentally beneficial, and cooperative or collaborative ventures allow the sharing of resources and expertise. Locally focussed developments also cater for the needs of the immediate community and reduce transport. The latter is more broadly desirable in global sustainable development terms as it reduces transport and therefore carbon emissions.

This, as said before, is not advocated as a blueprint for international, or even for Indian agriculture. It is however, a realistic response to a real problem and the principle could be applied elsewhere. There is a strong case to suggest that liberalisation does not, and is not likely to, meet the needs of the poor and hungry. In the drylands of AP there are particular climatic conditions which exacerbate the problems of small farmers, but their problems cannot be solved by employment on commercial farms or moving to the cities. Various communities are leading by example and rejecting the orthodox view of development. It is a good example of why flexibility is essential and why uniform policies should be questioned. The government of India, and the state of Andhra Pradesh should have the freedom to support their farmers in order to ensure decent livelihoods and food security. If donors are serious about 'making poverty history' this flexibility should be positively encouraged.

## 1.7. Concluding comments

This work has highlighted the weakness of mainstream International Relations theories in their failure to address the major issues of international development. By continuing to presume the relevant level of study is state-state (even if in the context of international organisations and actors) IR theory reinforces the idea that policies are best made, applied and measured at the state level. This effectively excludes consideration of the effects of policies on actual communities or individuals, such as those farmers who have committed suicide in AP because of liberalisation in the agricultural sector. This study has demonstrated the importance for IR to consider linkages between stakeholders at all levels, including the sub-state government of AP, but more importantly the communities who should be the ones to benefit primarily from development. It is also crucial to acknowledge the policy role of corporate actors and their interests in liberalisation.

The consistency of policies at the various levels, from *Vision 2020* to the general orthodoxy, could be argued to show how the dominant neoliberal ideology has led to international development occupying a space where “only certain things could be said and even imagined” and the discourse itself is an “articulation of knowledge and power” (Escobar 1995: 39). Here then, discourse becomes far more than what is said by actors, but a limit to what can be said. Interestingly, the idea that there is only one way of looking at a problem in international development is paralleled in IR. For instance, Lamy (2005: 207) describes the dominance of mainstream IR theories as limits to “our conception of reality” which define the agenda of study and thought. By limiting our thinking, IR does little to further real consideration of the problems caused by pursuing liberalisation as development, for instance by preventing the consideration of inequality in the global system. If IR is to seriously seek answers to the great challenges facing humanity in the 21<sup>st</sup> century, then it should take a radically different view. This does not necessarily demand revisiting dependency theory, but taking a critical stance and questioning the orthodoxy and its common sense assumptions. IR thus has to reject its own dominant paradigm in order to seek a more productive way of looking at global problems.

The challenge of assessing the role of ideology in policy making is considerable. It is not possible to easily count, measure or tabulate results or effects. However, this must not prevent the study of it, or the acknowledgement of it at all levels. In

particular, by considering the effects of orthodox-type policy on real communities it is possible to see the human effects of policy generated by dogma rather than need. The suicides of farmers in AP represent some of the human costs of pursuing liberalisation and commercialisation without real consideration of the problems of human impact.

The value of this study is that it highlights the consequences of macro policy making for development for real communities and individuals. It has shown that not only are there flaws in the definition of international development, which lead to a particular response, but there are also alternatives which may offer more security to vulnerable communities, and a more sustainable future, at least in the case of AP. This raises the question as to whether it is appropriate for mainstream IR to embrace the need for a more radical and appropriate study of international development, or whether the study of the linkages of communities and individuals to macro international policy-making falls more appropriately within Development Studies. As Berger (2006: 3) notes, that with the end of the Cold War, the boundaries between Area Studies, Development Studies and International Relations have become “increasingly blurred”. As demonstrated by the complexity and urgency of the problems of poverty, inequality and development, an analysis of only state-state relations is inadequate. It is perhaps as Berger (*ibid*: 4) goes on to suggest, that the future of Development Studies itself, and therefore the placement of this issue in the future, may be more appropriately within the field of international studies. This could provide a disciplinary location of appropriate flexibility and diversity, to examine both the fragmentation and integration of aspects of the global economy within the existing context of the nation-state system.

The criticisms and failings thus far of the policies of international development have been discussed here. One of the worst manifestations of those failures is the fact that in a world where more food is produced than is needed, over 800 million people still go to bed hungry, 48 million of those in Andhra Pradesh (2004b: 12, 109). If the aim of development is to attend to the needs of the most vulnerable communities as a matter of priority, (as is suggested by the slogan ‘Make poverty history’) then a minimum measure of success would be to create conditions where chronic hunger is eliminated. That is, to enable access to appropriate and sufficient food for all.

However, as seen here, in Andhra Pradesh, liberalisation is again presented as the policy which will achieve poverty and hunger eradication, whilst remaining the subject

of sustained criticism and opposition. According to Devinder Sharma (2005), AP is the “classic example” of the paradigm of liberalisation as development “advocated throughout the world by the World Bank and other donors”. The major beneficiaries of the liberalised economy are those actors who gain profit, in this case primarily those corporations involved in agricultural trade and production. Thus the orthodox development approach at all levels is presented as problem solving for one group, whilst actually prioritising the interests of another.

This is not to say that there is a conspiracy to deliberately present a policy as beneficial in the full knowledge that it is not, but rather that profit maximisation forces certain behaviour. Anita Roddick (cited in Bakan 2004) considers that the pursuit of profit maximisation forces “otherwise decent people to do indecent things” and in finding a way to justify their actions the “language of business is ... a language of ... secrecy, of hierarchy”. To deconstruct this idea further, the ‘secret’ of the discourse of international development may be that liberalisation will primarily serve the interests of corporations.

Nevertheless, despite the continued dominance of neoliberal ideology, many farmers in Andhra Pradesh are attempting to regain control of their own futures. They are doing this by establishing a form of sustainable agriculture which offers food security (perhaps better termed food sovereignty) and minimises financial and environmental risk. Importantly this offers the poorest communities a degree of independence and self-determination rather than being driven by remote global policy or markets. The view of “thousands of women farmers” is that they want security, and they have an alternative to *Vision 2020*, ... “one that offers them food and income in the short term”, rather than uncertain wealth in 2020 (Satheesh 2005). This view is shared by others in civil society and state government in AP. It is also an “imaginable and achievable outcome” which could “maximise social justice and freedom” (Fairclough 2005b: 165).

The study of AP and agricultural liberalisation has demonstrated that communities can develop their own local solutions to address problems of vulnerability, insecurity and sustainability. Whilst not directly transferable to all situations and scales, this does support the case for nationally, regionally or locally suitable development strategies, which allow variation, and take into account environmental limitations and global impacts. Most importantly, it offers a radically different model of development as an alternative to the orthodox paradigm.



## Appendix: Interviews

Bhongir Farmers (2005), Interview with farmers involved in PEACE, Bhongir, Andhra Pradesh, 13<sup>th</sup> January.

Chengal Reddy, P. (2005), Interview with Co-Chairman, Indian Farmers and Industry Alliance, Hyderabad, 24<sup>th</sup> January.

Crockford, K. (2005), Interview with Senior Rural Livelihoods Adviser, DFID India, New Delhi, 19<sup>th</sup> January.

Das, K. (2005), Interview with Joint Commissioner for Rural Development, AP, Hyderabad, 12<sup>th</sup> January.

Galab, S. (2005), Interview with Professor of Economics, S. Galab at the Centre for Economic and Social Studies, Hyderabad, 24<sup>th</sup> January.

Ghosh, G. N. (2005), Interview with Assistant FAO Representative, Delhi, 20<sup>th</sup> January.

Hart, M. (2003), Interview with Chair of the US Small and Family Farmers' Alliance, London, December 8<sup>th</sup>.

Hassan, S. M. (2005), Interview with Consultant to the Commissionerate of Agricultural Extension, Andhra Pradesh, 10<sup>th</sup> January.

Hines, C. (2004), Interview with writer and activist, London, 12<sup>th</sup> December.

Kronick, C. (2004), Interview with Policy Director, Greenpeace UK, London, 12<sup>th</sup> December.

Kuruganti, K. (2004), Interview with freelance writer and researcher, 26<sup>th</sup> November.

Lal, S. (2005), Interview with Advisor, External Affairs, World Bank (India), Delhi, 17<sup>th</sup> December.

Lingaiah, R. (2005), Interview with Secretary, Centre for Rural Operation Programmes Society (CROPS), Jangaon, Andhra Pradesh, 13<sup>th</sup> December.

Murali, R. (2005), Interview with Secretary, Modern Architects for Rural India (MARI), Warangal, Andhra Pradesh, 13<sup>th</sup> December.

Narasimha Reddy, D. (2005), Interview with former Professor of Economics, University of Hyderabad, now Visiting Professor at the Institute for Human Development, Hyderabad, 28<sup>th</sup> January.

Nimmaiah, K. (2005), Interview with Executive Director, People's Action for Creative Education (PEACE), Bhongir, Andhra Pradesh, 13<sup>th</sup> December.

Parmar, R. (2005), Interview with Director, Agriculture Division, Planning Commission of India, Delhi, 18<sup>th</sup> January.

Ramanjaneyulu, G. V. (2005), Interview with Executive Director, Centre For Sustainable Agriculture (CSA), 8<sup>th</sup> January.

Ray, A. K. (2005), Interview with former Professor of International Relations, Jawaharlal Nehru University (JNU), Delhi, 21<sup>st</sup> January.

Samal, C. (2005), Interview with researcher for the Joint Commissioner for Rural Development, AP, Hyderabad, 12<sup>th</sup> January.

Satheesh, P. V. (2005), Interview with Director, Deccan Development Society, Hyderabad, 28<sup>th</sup> January.

Sharat, R. S. (2005), Interview with State Representative - Andhra Pradesh DFID India, Hyderabad, 7<sup>th</sup> January.

Sharma, D. (2005), Interview with Chair of the Forum for Biotechnology and Food Security, New Delhi, New Delhi, 21<sup>st</sup> January.

Shukla, N. K. (2005), Interview with Joint Secretary, All India Kisan Sabha, New Delhi, 20<sup>th</sup> January.

Srinivas, K. (2005), Interview with Journalist and Representative of the National Journalist's Union, Hyderabad, 6<sup>th</sup> January.

Taylor, H. (2005), Interview with Deputy Head, DFID India, New Delhi, 19<sup>th</sup> January.

Taylor, S. (2005), Interview with Head of AP Team, DFID India, New Delhi, 19<sup>th</sup> January.

Tulasidas, B. (2005), Interview with President, AP Rytu Sangham (AP Farmers Union), Hyderabad, 10<sup>th</sup> January.

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