MNCs, NGOs, SHGS and Globalisation

Dr. Krishna Kothai*

"Globalisation is inevitable and irreversible; the forward march of technology makes it so. Governments can no longer control the free flow of information. The cell phone and satellite television have reached even the remotest village. Day to day economic decisions can no longer be decreed from above by corporate CEOs, much less government planning ministries. Markets now mutate with frightening speed. Finance can no longer be dominated by 'white shoe' commercial banks. Today, anyone can be a trader. Capital can no longer be bottled up within borders. Billions of dollars can be moved with the click of a key. And in an age of instantaneous communication which has let United States software companies outsource product development to India, participation in global markets affords the world's poorer countries more opportunities than ever before" Friedman, has asserted in his widely read book. (Friedman, 1999)

Three issues are central to globalisation, as the debate on globalisation reaches new heights. First, globalisation has been seen as exerting pressure on all states to change their policies and institutions in certain ways. Liberalising trade policy, removing capital controls, opening financial markets to foreign investors and down sizing the role of the state in the economy are the generic policy prescriptions for effective participation in a global economy. Pressure for the reduction - or even abandonment - of the 'welfare state' in developed countries, and for the liberalisation of the economy in developing ones, has been seen as a byproduct of globalisation.

Second, globalisation is seen as giving increased power to the holders of capital i.e. investors, multinational firms and global financial institutions. These actors can now demand that states make changes in their economic policies and can punish them if they do not comply by exiting country or, better, yet speculating against the country in world currency markets. In contrast, the labour form has been weakened. Workers find their powers to bargain with firms impaired. Membership in unions worldwide has declined. Unions have faced challenges to their acquired power in many states. Globalisation moves jobs around the world and imposes constraints on wage increases as never before.

Finally, globalisation, it is sometimes claimed, is irreversible. That is, no actor can resist its advance. This again reopens the question of the role of the nation state. Can any state resist or even reshape, the pressure generated by the global markets? Should a state submit to the ineluctable pressures of globalisation and lose the capacity to redirect its national economy? (Devendra Mishra, 2001).

On none of the above issues, is there any consensus. Although, many events seem to support the above views, some critics have seen the other side of the coin. They note that the percentage of government spending in the economy has declined only slightly or not at all. Developed countries have maintained extensive and distinct welfare systems, national ways of doing business have persisted and unions have actually made resurgence lately, in some nations including in the United States and France. These events suggest that globalisation is neither producing convergence nor undermining labour and may not be irreversible. States, in fact, are given more importance for they are means for

* Director, Centre for Rural Studies, Manipal
countries to resist and reshape the pressures generated by globalisation. From this angle, strengthening the institutions of the state may be the most effective way for countries to reap benefits from global markets. These contradictory perspectives on globalisation are likely to persist until we have more evidence about its effects.

There is truly 'great divide' in India on the theme of globalisation. Enthusiasts on globalisation consider this as the only path for accelerating economic development and reducing poverty. They are rather impatient with the slow pace of reforms in this direction. There are others who are equally vehement in condemning the moves towards globalisation, and consider it as a sure recipe for economic subjugation and a path leading to further exploitation of the poor and the defenseless. Both sides can quote scriptures in their favour, refer to history to buttress their position and cite examples from contemporary developments. Part of the problem is due to the different concepts of globalisation. One can take a wider stand and equate it with the notion that 'whole world is my family' or 'narrow economic interpretation' i.e. increasing rate of foreign trade and investment in a country.

It is observed that the developed nations and multinational organisations are taking advantages in the name of globalisation, in forums such as GATT, WTO etc. Vyas argues that it is important in this context, to understand the historical background of WTO. It was only after 1980 when the United State's agricultural export faced a steep decline and a view emerged that the decline in the agricultural exports was due to protectionist policies of European Economic Community (EEC) and Japan that the US started supporting an agreement which would enable free trade in agricultural commodities. The GATT's provisions for agricultural trade were found weak, and need for a stronger trade regime was keenly felt.

Cairns Group of countries headed by Australia and other important agriculture exporting countries also found the progress in the GATT negotiations inadequate and unsatisfactory. The final decision on establishment of WTO was facilitated by the agreement between US and EEC, sc called 'Blair House Agreement'. Thus, it is important to remember that WTO came into existence because of the need for such an organisation perceived by the developed countries which were major exporters of agricultural commodities.

Several agreements have been made or negotiated under the auspices of WTO. One of the most important among them is 'Agreement on Agriculture' (AoA). The main features of AoA are the market access without discrimination, and discouragement to domestic support and export subsidies with a view to provide a level playing field to the traders in agricultural commodities. The other provisions of AoA addressed are some of the non-trade concerns.

The signing of AoA in 1995, created a euphoria in some quarters. It was suggested that if implemented properly, it will result in a rise of agricultural trade to the extent of US $450 billion. It was also maintained that the developing countries will have a fair share in the increased agriculture trade. These hopes proved to be exaggerated as neither the rise in the volume of agriculture trade nor the share of developing countries in the trade measured up to these highly optimistic expectations.

Part of the shortfall in the expected gains is due to the loopholes in the agreement itself, such as inadequate time for adjustment for the developing countries, tariff picking, tariff escalation, etc. The main reason however is non-trade barriers (rules for origin, product standardisation, quality assurance, etc.) by the developed countries. The overall support to agriculture, under the so called 'blue boxes' and 'amber boxes', puts agriculture in these countries to an advantageous position, stringent 'sanitary' and 'phyto-sanitary' standards
on agricultural imports are used on several occasions to inhibit imports of these commodities.

The increasingly powerful multinational companies (MNCs) and the emerging trading blocks have also weakened AoA. Finally, the organizational strength and capabilities of the staff is far below the requirements for a body with as wide a mandate as WTO.

India is favourably placed with regard to the main conditionalities of AoA namely, market access, domestic support and export subsidies. Most importantly, the 'Aggregate Measure of Support' (AMS) for agriculture in the country is well below the minimum conditions laid down by WTO. Yet, India, like other developing countries, has to face difficulties in expanding its trade in agricultural commodities with developed countries, mainly due to sanitary and phyto-sanitary standards, and also due to covert subsidies (under green box, amber box, etc.) and the discrimination in the guise of quality assurance etc. in these countries (Vyas V.S., 2002).

**Rural Development in the context of Globalisation**

India is a vast country with more than 5.5 lakh villages and with a mind boggling population of one billion plus. Country presents a very heterogeneous picture in almost all sectors. Indian economy is basically 'agrarian in nature'. The Indian agriculture is endowed with very many strengths and weaknesses. It should be understood here that any New Economic Policy without giving due weightage to the sector of agriculture may not do good to the larger population of the country. It is essential to analyse the impact of globalisation and new economic policy in the context of Indian Agriculture.

The new economic policy introduced during July 1991 and beyond can be broadly divided into (a) stabilization policies to correct macro - economic imbalances and (b) structural reforms in the areas of industrial and trade policies. The major objective of stabilization policies is to reduce the fiscal deficit. (They included restraint on the growth of all expenditures including social expenditure, removal of subsidies, removal of discretionary controls, effective system of taxation, sharp devaluation of the rupee, changes in exim policy, water and electricity rates etc.). The structural reforms were intended to transform from an agricultural economy to an industrial economy, from an inward looking, self sufficient oriented economy to an outward looking, external demand dependant economy, from a regulated to a deregulated economy and from a policy of nationalization to that of privatisation (Rao S.L., 1990). The basic objective of the package is to stimulate long term growth, increased exports and gradual withdrawal of the role of the state from the economy.

Agriculture is the core sector of our economy providing livelihood and employment to two-thirds of our population and contributing about 18 percent of the GDP. Economic policy in the context of globalisation is to be viewed based on the following indicators:

1. Heavy population pressure
2. Large number of small and marginal farms, fragmented in many cases, incapable of generating internal resources for making capital investments and exportable surpluses (Bhalla, 1994).
3. Low level of productivity and income (Mruthyunjaya, 1995)
4. Inadequate infrastructure
5. Decreasing ability of crop production to absorb additional labour force (Parthasarathy, 1993)
6. The sector has remained heavily dependent on subsidies on inputs, especially fertilizers, pesticides, electricity, irrigation, water, etc. (Mruthyunjaya, 1995)
7. In spite of huge subsidies on farm inputs, no income tax is being levied on the farm sector (Gulati, 1993)
8. Low output prices, restrictions on movements, stock restrictions and huge buffer stock for food security reasons. (Murthyunjaya, 1995).

9. For the last 15 years, the 'terms of trade' are adverse for agriculture (Johi, 1993).

10. The aggregate agricultural supply elasticity is very low whereas output elasticity to rural infrastructure is very high (Bhalla, 1994).

11. Trade policy was highly restrictive except for few traditional crops. It was largely insulated from world trade. There was high control on import and export. Residual surplus or deficit decided the export or import (Bhalla, 1994).

12. Farm economy thus has not assumed the character of a growth oriented business sector (not strong enough), which is essential if this sector is expected to get integrated with the rest of the economy and can have a 'level field' in the competitive world market. There has been little in terms of new economic policy frame work for the reform and globalisation of agriculture. It is claimed to be a deliberate step as the government wants considerable analysis, discussion and debate should precede reforms since such changes will have large implications on agricultural growth, food security, employment and poverty alleviation. The government is also of the opinion that Indian agriculture can not remain insulated (Mukherji, 1994).

While the need for new economic policy can not be disputed, what becomes important are

(1) how in the absence of adequate and effective 'safety nets' to protect the 'poor', can the new economic policy usher in prosperity and welfare and

(2) how does the new economic policy enable farmers (mostly small and marginal) to compete with big houses and MNCs?

(3) How to enable poor (small and marginal farmers) to compete with big houses and MNCs is more complex than the question of providing 'safety nets'.

With liberalisation and opening up of doors for multinationals, there would be need for 'cost reduction' and 'improvement in quality'. Big houses and MNCs obviously use modern technology which uses capital, but replaces labour (Vyasal, 1993). They derive all the benefits of the economies of scale and they also have the capacity to take risk, on the other hand, small and marginal farmers with 'nil' or 'less marketable surplus' can not avail of higher output prices, but are also hard-hit by increased cost of production and thus buying food at higher prices. Due to financial compression, public investment is also falling in real terms. Supply of agricultural credit has remained stagnant due to market imperfections and failure of co-operatives in general. Dwindling employment intensity in crop production and organised manufacturing sector, particularly in urban areas, etc. will further make them weak.

The much publicised 'Farmer's Agribusiness Consortium' did not take off. Many rural development programmes launched pompously as a nationwide frontal attack on rural poverty are proving counter productive and wasteful according to various research studies. The benefits have not percolated to the grass roots, but find their way to some selected favourite families which are patronized by the local political leadership. The countryside has been exposed to large scale corruption practices that go in the name of rural development. Whether all these mean that new economic policy, being unable to make weak strong, helplessly subscribe to the truth 'survival of the fittest'? Does it mean that the new economic policy in the context of globalisation intends to benefit only the well-organized, articulate, politically powerful, well-off section in rural areas? The evidences available regarding the impact so far indicate that the path chosen by the government in the new economic policy places the burden squarely on the 'poor' (Murthyunjaya, 1995). It should not be interpreted that agriculture should
be insulated from reforms. It only means that in the socio-economic and political milieu that we have, it is quite likely that the interest of the organized sector, which has been in general consistently growing in terms of economic power at the cost of unorganized sector, has given a shape and colour to the economic policy, appropriate to their needs and interests, that is paying almost lip-service to the needs of the unorganized sector and practically relegating them at best to the status of residual gainers (Datta and Kapoor, 1993).

The Latin America’s economic recovery, with millions of poor untouched, should be an eye-opener to the states like India. Peasants rising up in Southern Mexico, two coup attempts and unrest in Venezuela, national strike by Bolivian workers, burning of government buildings and march on the capital in Argentina are some examples of social unrest, which have accompanied Latin American economic transformation (Times of India, 1995).

New wealth flowing mostly to the rich, cutting down of state payroll’s, investment focused on capitals living remote areas struggling, no attention to millions of poor living in shanty towns and rural areas with little or no access to running water, electricity, sewer systems, adequate housing, education and health care are the features of economic recovery broad at a very high social price in Latin America. Thus, if we fail to recognize the interest of the poor, we may not be in a position to realize the potentials of globalisation in the long run.

Various studies have shown that the poor have to bear the main burden of the structural reforms. According to Eshag, “the main burden of adjustment under stabilization programmes tends to fall on labour and on low income groups in general” (Eshag, 1989). The major cause of the opposition to these reforms emanates from the adverse social consequences of the reform package. The actual experience of structural reform packages (guided and maintained by IMF and World Bank), as revealed by Latin American and Sub-Saharan Africa, reflects that almost without exception, there is an adverse impact on poverty and these reform packages tend to stifle the prospects for long term growth (Nayyar, 1993). Along with the institution of reform measures, a process of transition in the whole economy began to take place. Experiences of these countries show that the burden of adjustment is not distributed symmetrically within the different classes of the society (the rich people have enough scope and strength to shift the burden to the poorer community). It is expected that the affluent section should bear the burden of adjustment more than the relatively less affluent and poorer sections. In keeping with the equity principle, the costs must and should be borne by those who enjoyed the pleasures and advantages of liberalisation (Sujith Dutta, Dilip Ghosh, 1995).

The state certainly has an important role to protect the interests of the poor by strengthening their asset base, by helping them to be engaged in self employment ventures and in creating environment i.e. making markets poor-friendly so that the small units can survive and flourish. Analysis of results of various rounds of National Sample Survey strongly propound that it is highly impossible for the organizing sector in India to absorb millions of new entrants in the labour market. As a consequence of this trend, a large majority of nearly 18 million persons who would join the labour force during 1990-2000, will have to find work as self employed and casual workers (Visaria and Minhas, 1991).

The new economic policy package consisting of squeezing in expenditure, introduction of the latest technologies (mostly labour displacing), restricting the role of public sector enterprises and liberalization of the economy would certainly slow down the rate of labour absorption capacity of the economy i.e. the cleavages between labour supply and demand will certainly widen to a great extent. Any reduction in expenditure allocation for social and welfare programmes is sure to injure the poor
as they are the main recipients of benefits of such programmes.

On the whole, the stabilization programme seems to yield comfort for the rich and hardship for the poor (Nayyar, 1993). On the undesirable cut in social expenditure, Eshag (1989) pointed out that during the course of implementing the stabilization programmes, 'it is not always realized that cuts in current social expenditure, notably on child welfare, health, nutrition and education, significantly influence the productivity of future generations. The future costs of such cutbacks are likely to be particularly high in the poorer developing countries where the standard of living is already very low and where a relatively large proportion of children suffer from malnutrition and poor health'. Along with the resource squeeze on social sector front, the poor community, in particular those who reside in the rural areas have to suffer most due to inflation and the stunted growth rate of the economy.

Multinational companies and affluent sections of the society are the obvious beneficiaries of globalisation as they are fine tuned to get maximum benefits. They have the required capital, technology, human resource, market intelligence and other requirements which are very essential to reap the rich harvests of globalisation.

In this race where does a 'small man' stand? Apart from lacking all the required essentials, these small people are totally unorganized. From the point of view of organizing these socio economically backward people, who are supposed to participate in the process of globalisation, Self Help Groups (SHGs) of these multitudes of people may provide some respite. The origin, growth and development of these SHGs are being watched with keen interest in the country. Good many number of research studies on SHGs present a very positive picture of these small, informal democratic, self propelling groups (Kothai, Dongre, Shridhar, Moodithaya, 1999).

SHGs are the grass root level organizations of the excluded people in the developing world. They represent the last echelon in the society. Their members are capital and technology starved people apart from being socio-economically, educationally, politically backward. They are inefficient in the production process and its post production activities. Therefore, it is extremely difficult for the members of the groups to survive severe competition from the big companies and MNCs. They have to face the hostile market conditions.

Understanding the importance of these 'peer groups' and their strengths and weaknesses, one may have to energise these groups socio-economically, educationally and politically. Once these groups get properly organized, based on the strength of 'thrift', amongst the members, it should not be difficult to make these organizations join hands and face the challenge of globalisation. The classic example of 'AMUL' is to be remembered here. AMUL is a giant organisation formed by very effectively functioning milk co-operatives and unions. The members of these co-operatives are small people from the countryside, who have come together in building a great organization such as AMUL. The 'leadership' in such organisations plays a pivotal role in shaping the destiny of the organisation. If small people/organizations join hands and get involved in the process of production and marketing of various goods and services, it should be possible for such organizations to effectively face the threats of globalisation as has been demonstrated by the Gujarath milk producers through AMUL.

Role of NGOs

Non-Governmental Organisations are the players from the third sector. Generally, they act as 'catalytic agents' in the process of development, more so in developing nations such as India. The agenda of NGOs vary widely (welfare, relief and rehabilitation, environment, advocacy, poverty
alleviation, sustainable development, women empowerment, decentralised governance, consumer protection, literacy, health, etc.). Most NGOs working in developing nations such as India criticise WTO and the process of globalisation. In the last five years, these NGOs have attacked all the activities, policies and norms of WTO. They organize protests wherever WTO meetings are held. The main reason for NGOs to be critical of WTO is that, WTO acts as a 'mouthpiece' of developed and powerful nations, neglecting the developing countries in their interest.

Pro-globalisation scholars argue that 'globalisation is transforming many aspects of the human experience - so many that only a comprehensive, multilayered response of policy and institutional reforms will be adequate. If we fail to meet this challenge, we will condemn the world's poor to a cycle of instability, hunger and despair. By seizing the opportunities presented at the dawn of the 21st century, we can turn our dream into a reality - a world free of poverty'. NGOs, especially from the developing world, with their experience with the communities and MNCs do not subscribe to the above argument. They feel, it is easier said and done. They view this as a 'trap' advanced by the developed nations to the developing and underdeveloped nations. Thus, NGOs are campaigning against globalisation.

The NGOs have been fighting against various issues including subsidy, intellectual property rights, environmental protection, etc. The NGOs are aware that the negative impact of globalisation would be on the poorer sections of the society, especially from the underdeveloped and developing countries. Though, the states representing underdeveloped and developing world are aware of the negative consequences of globalisation on the poorer sections, they are unable to stand up and resist the force from the influential and powerful nations. It is precisely here that the NGOs are fighting for the cause of the poor. It has to be appreciated here that the NGOs from the 'third sector' are fighting a battle against the combined forces of second and the first sector.

There are many instances where NGOs are fighting against the MNCs and the states. The following example of B. T. cotton presents a similar case study.

**BT Cotton Episode**

Cotton is one of the important commercial crops of India. India stands first in the world in so far as the total area under cotton is concerned. However, the yield of cotton per hectare is very low in India. There are various reasons for the poor yield of cotton such as uneconomical small farms, lack of irrigation facilities, lack of technical knowledge, inadequate credit, etc. Apart from the above, one of the important reasons for low yield in cotton is attack by the 'Bollworm' and other pests. According to one estimation, out of the total quantity of insecticides used in the country, nearly 30% is used to control bollworm - such is the menace of the insect!

Though high yielding and long staple cotton varieties have been found out, till recently, no variety resistant to bollworm was evolved. Now as a gift of biotechnology, a new variety in cotton has been released, which is resistant to bollworm, 'Baccillus thuregenesis' - a soil borne bacteria has been engineered to the cotton variety by genetic engineering method, thereby producing BT cotton which produces a toxin which is detrimental to bollworm. As the variety has developed resistance, it is said that, the farmers will be in a position to increase the yield of cotton and the income manifold.

While the field trials were on, a seed company by name Mahyco imported BT genes illegally without the approval from the Genetic Engineering Approval Committee (GEAC) attached to the Union Environment Ministry. In 1998, after the Monsanto (a multinational National Company) and Mahyco formed a joint venture and Monsanto also bought a
27 percent stake in Mahyco, the two companies started 40 open field trials in 9 states without GEAC approval. These trials were in violation of the Constitution since Agriculture is a state subject and none of the nine states were consulted. Nor were the State Bio-Technology Co-ordination Committee (SBCC) and the District Level Committee (DLC) informed in advance as is required under the bio-safety rules. On 6-1-1999, the Research Foundation for Science, Technology and Ecology filed a public interest litigation in the supreme court to bring the 'bioterrorism of bio-technology companies' to the notice of the court and to seek protection of the environment, and ecological and economic security of farmers.

Inspite of this, Monsanto and Mahyco repeated their illegal trails in 1999 at ten locations. They continued to multiply seeds in total contravention of bio-safety laws that require that all planting material at trial stage will be destroyed. Between 1995 and 2000, the companies acted without approval of the GEAC. In May 2000, Mahyco wrote to GEAC seeking approval for 'release for large scale commercial field trials and hybrid seed production of indigenously developed BT cotton hybrid'. In July, GEAC cleared large scale field trials on 85 hectares and seed production on 150 hectares that was challenged.

Even a normal seed requires two years of trials and tests to ensure that new diseases and pests are not introduced. Since genetically engineered seeds introduced new traits into crops, their tests and safety assessments have to be more rigorous and more extended, and need to take place over at least 5 years before commercialisation. The GEACs first approval came in July 2000. BT cotton seeds should not be introduced commercially in India before 2005. The uncontrolled spread of GM seed in Gujarat is a result of five years of illegal seed production and multiplication by Monsanto and Mahyco. Another company by name Navabharath Seeds also got hold of the seeds and distributed the same amongst the farming community. The companies started fighting amongst themselves over the issue of right. Meanwhile GEAC ordered the Government of Gujarath to destroy around 10000 acres of BT cotton illegally cultivated by the farmers under the propaganda of the seed companies (Vandana Shiva, 2001).

The NGOs are arguing against the release of BT cotton. The claim of the NGOs is that BT cotton is not just resistant to bollworm. Owing to its toxic effect, BT cotton would spoil the environment killing useful microbes and insects apart from becoming a poisonous insecticide in itself. The NGOs are also arguing that as the farmers can not use the seeds from their cotton crop and as they have to purchase seeds every time from companies such as Monsanto, Mahyco, etc. these companies would definitely exploit the farming community. Some of the 'Farmers' Associations' are also fighting against the propagation of BT cotton in India.

It could be seen in the above example as to how the MNCs can easily exploit people. This under-scores the need for catalytic agents such as NGOs to fight the MNCs.

In the book 'Public Health and Poverty of Reforms'- The South Asian Predicament (Qadeer, Sen and Nayar), many contributors charge the western countries as well as World Bank and IMF with their structural adjustment policy - which very barely disguises the nefariously intended sabotaging of the public sector health services of the governments of South Asia and the flooding of their countries with the medicines produced by the multinational drug industry for exploiting the poor people and snuffing out the indigenous pharmaceutical industry. The response of the MNCs was to 'hip in the bud' the Alma-Ata declaration of 1978 for self reliance of the developing nations. They made the developing countries dependant upon the richer countries for funds and supply of medicine and other logistic support. Perhaps, NGOs
References:

Friedman Thomas (1999) The Lexus and the Olive Tree, Farrar, Strauss and Giroux, USA.