

Agriculture within Globalization and WTO: Politico-Economic Issues of Bangladesh Agriculture

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1. Onset

The word globalization means different things to different people. It is portrayed by many as an important route towards poverty elimination. The conventional indicators of globalization have always been in trade, foreign direct investment (FDI) and technological flow. However, the quasi-economic factors such as environment, ways of living and non-economic factors like social systems and values, governance are gaining momentum in the current globalization debate. The continuous negligence of globalization application for quasi and non economic factors keep the livelihoods concern of the people in the developing and least developed countries out of loop for getting benefits. One should not ignore that any force for development comes out from a complicated interaction between these economic, quasi and non economic factors. However, the globalization forces are always derived out from the conventional indicators and the birth of WTO is one of the major consequences.

If the concern of developing countries (DC) and least developed countries¹ (LDC) would be considered, agriculture would certainly play a pivotal role in improving the countries' socio-economic condition, sustainable development, food security, and achieving self-sufficiency in food production. On other hand, it is the main source of potential domestic surplus for investment in other sectors with higher value added that are crucial for human development². Agriculture accounts for 70 percent of employment in LDCs and 30 percent in DCs³.

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(Opinions expressed by the second author are his own, and in no way reflect the official position of Oxfam)

1 Least developing countries is a subset of the developing countries

2 Malhotra, Kamal, Making Global Trade Work for Poor, <http://www.rbf.org/pdf>, July 2004

Like most developing countries, the Bangladesh's economy is agriculture based. In fiscal year 2003-04, its gross contribution to GDP was 22.83 percent; 62.3 percent of total labour force is employed in agriculture⁴ Moreover, despite growing urbanization, about 76 percent of our population still live in rural areas⁵. This implies that our socio economic development still depends much on the rural sector. The agricultural sector provides the basis for food self sufficiency; forms imperative to ensure food availability to the people at affordable prices; and plays pivotal role in terms of nutrition intake and addressing the whole issue of hunger and famine.

The agricultural sector is going through a change. Due to increased population pressure the technological invasion is gripping more and more with a view to producing more food for the people, which means the available land, its distribution and utilisation are of great concern. On the other had, the new face of Globalization through liberalisation has been creating new dimension in the context of trade (internal and/or external).

This paper focuses mainly on the crop sector and is divided into three parts. The first part discusses the major policy issues under WTO and the relevant experiences. The second part focuses on the current domestic situation. The third part examines the current situation of agricultural farmers and workers and attempts to show the process becoming marginalised in the process. Finally the conclusion delineates the potential implications under globalization.

2. New Tool of Globalization: WTO Policies in Agriculture

Until the Uruguay Round (UR), Agriculture with food security and price stability of agricultural products was kept out of GATT. The developed economies at that time started to protect their agriculture sector by providing various supports to their farmers. As a result, these countries turned out as major exportes of their surplus food. Considering the '*food security*' as the most important issue for DCs, there was a broad adoption of Import Substituting Strategy (ISI). However, one limitation could not be envisaged: the gradual rejection of protectionism in other sector cannot protect agriculture from liberalization. In this process, we see several pressures from international organizations such as IMF and World Bank on developing countries in the name of structural adjustment. In this course, while

³ Malhotra, Kamal, Making Global Trade Work for Poor, <http://www.rbf.org/pdf>, July 2004

⁴ Bangladesh Economic Review 2004: p 71

⁵ Bangladesh Population Census 2001: p 28

developed countries finally realized that there are no more places left for DCs for exploitation, they agreed to include Agriculture. However, their long practiced protectionism still exists in different names. As a result, the world share of Agricultural exports from developing countries came down to 40 percent in 2001 from 40 percent in 1961.⁶ These new policies reveal that it does not have that much components to block developed countries protectionism practices under liberalization; which in turn works for the few TNCs dominating the world agricultural market. There could be three broad reasons: a) Subsidized rich countries' export, b) high barriers to developed countries' market, and c) downward pressure on world primary commodity prices.

2.1 Basic features of Agreement on Agriculture (AOA)

Three major elements that illustrate liberalization commitments under AOA are domestic support, export competition and market access.

Domestic support is any measure used by government to protect its industries from foreign competition. All the members are required to quantify all trade distorting domestic supports into "Aggregate Measurement of Support" (AMS). These commitments are also expressed in "Annual and final bound commitment level". To be in compliance with the agreement, any member's current level AMS should not exceed "Annual and final bound commitment level". For any member AMS shall not exceed 5 percent of total value of agricultural production. And for developing countries this limit is 10 percent. However, there is a set of exemption policies and these are expressed in terms of coloured boxes: Amber, Blue and Green. Amber box contains all trade distorting domestic supports and that should be reduced by 20 percent. Under Blue box the minimal trade distorting policies are included – all direct payments under production limiting programs. The policies, which do not have no, or at most minimal trade distorting effects are under Green box. All these provisions experience a practice of the developed countries shifting their subsidies from amber to green. Over 60 percent of domestic support in OECD has been exempt from reduction commitments⁷.

Export subsidy/ies is a tool used by the governments for decreasing the cost of production and/or increasing the level of production. However, in a liberalized

⁶ WTO (2002) *International Trade Statistics 2002* and UNCTAD (1999) "Agricultural Trade Barriers, Trade Negotiations and Interests of Developing countries" TD9X/RT.1/8

⁷ Oxfam Briefing Paper: "Boxing Match in agricultural trade – Will WTO negotiations knock out the world's poorest farmers?"

world economy export subsidy creates pressure on world prices. Under AOA, export subsidies are set to be reduced by 36 percent of the value of exports and volume of subsidized exports by 21 percent. The LDCs are exempted from reduction commitments in any field of domestic support and export subsidies.

The lack of *market access* is another obstruction for developing countries in the global economy. The provisions under market access spells out conversion of all non-trade barriers into tariffs and these tariffs are to be reduced by 36 percent. The LDCs are exempted from these commitments. However, tariff bound for Bangladesh set a uniform ceiling rate of 200% for all goods but 50 percent bound rate for 13 products⁸.

2.2 Agreement on Sanitary and Phytosanitary Measures (SPS)

The agreement of SPS under WTO is considered to be the most controversial agreement as this is being used by the industrialised countries as another non tariff barrier to market access against the developing countries and LDCs.

2.3 The sidestep policies

There are provisions of *Safeguard Mechanism* and *Special and Differential treatment* for least developed countries and net food importing developing countries. These policies also reveal no benefit to developing countries.

The result of import liberalisation under WTO ends up with a decreased food production in DCs and LDCs. Between 1990 and 1997, 24 LDCs experienced a decline in per capita food production⁹. A continuous export trap created by the falling world prices reduces the opportunities of these countries to diversify the products. The practice of export subsidies and other domestic subsidies provided by the developed countries create pressure on the world price, which, in turn, increases the cost of production in developing countries.

Evidence based on 14 developing countries showed that the food import bill of most countries increased since UR implementation. In Bangladesh alone it grew up by 50 percent¹⁰. Due to WB and IMF pressure Bangladesh's average tariff was

⁸ Hossain Mahboob, Deb Uttam Kumar, *Trade Liberalization and the Crop sector in Bangladesh*, CPD Occasional Paper Series Dhaka, July 2003 p 1

⁹ UNCTAD (2002) : Least Developed Country Report 2002, p 250

¹⁰ FAO (2002) "Agriculture, Trade and Food Security, Chapter 1 and FAO (2002) FAO Papers on selected issues relating to WTO negotiation on Agriculture" p 13-17

reduced from 102 to 27 percent between 1996 and 1998. Export subsidies and domestic supports and other measures taken by the developed countries leave room for export dumping. Export dumping eventually results in farmers of developing countries being driven out of the market and competing being forced to meet the below cost price or lose market share¹¹.

There is another face of dumping: food aid. Evidence suggests that food aid is higher while price is lower and stock is higher, again while food import for developing countries is higher food aid gets down. WFP reports that when world cereal prices were low and stocks was high, food aid was at the peak level¹². One point should be noted that all the reduction commitments under WTO is mainly a political bargaining.

3. Existing Scenario of Bangladesh Agriculture

3.1 Domestic policies:

Amidst Globalization it is imperative to look closely at our domestic policies. Our rural sector is mainly guided by the agricultural policies. The main objectives of these policies are¹³:

- Ensure profitable and sustainable agriculture production mechanism and establish purchasing power to farmers through increasing their real income
- Protect land productivity and ensure its improvement
- Reduce risk through downgrading the dependency on single products
- Ensure food security and increased nutrition level by producing more nutrient food products and by increasing their supplies
- Protect bio-diversity of various crops
- Adopt plan for introducing, uses, and expansion of bio technology
- Produce and increase supply of crops and other agri-products for industrial sector
- Reduce imports of agricultural products and create opportunities for exports
- Create opportunities for agricultural products processing and agriculture based industry development

¹¹ “Can WTO deal with Agricultural Dumping?” <http://www.southcentre.org/info/southbulletin.htm>

¹² WFP (May 2001) The Food Aid Monitor – 2000 Food Aid Flows, Rome.

¹³ Adapted from Bangladesh Economic Review 2004 p71

- Protect rights of marginalised, small farmers and agricultural workers
- Keeping in mind the national interest, develop agricultural system in light of the WTO, SAFTA and other international policies.

All these objectives led to two main points: *food security* and *farmers' rights*. There is a great paradox between food security and production. Self sufficiency in food production can't always provide food security – it depends on food distribution, income distribution, food availability at affordable price, and a combination of food import and export. On the other hand, farmers' rights are basically their right to ownership of land and waterbodies, and livelihoods – which depends on the increased purchasing power, access to inputs, access to land and other basic human rights – right to work.

The Government food budget reflects the policy application. In our agricultural sector, crop plays the dominant role. Let's see the government food budget which comprises only rice and wheat for FY 2003-04. Government of Bangladesh (GOB) opened their stock of 9.52 lac metric tons (MT) food grains and planned to close that one with 8.03 lac MT. The net domestic production was set at 253.08 lac MT which showed domestic production surplus (Net domestic production less requirement) was 26.26 lac MT. If we add up import with that net surplus, total surplus would be 51.84 lac MT. Due to lack of availability of data it is not possible to estimate the amount of government procurement and distribution. However, the trend shows that (between 1999-00 and 2001-02) the amounts were at two digits lac MT. Now the question arises how the surplus is being managed if it is not distributed, procured or exported. One reason could be to set up those surpluses in the open market. However, without having a proper price control mechanism how that surplus would be utilised is a real concern. In a conventional way it shows that it would bring the price down which is good for consumers but what about retention of production cost. In Bangladesh, most farmers produce crops for their own consumption as well as to meet other livelihoods necessities. Furthermore, surprisingly government commercial imports were placed in 2001-02 whereas government had a huge surplus in FY 2001 and FY 2002 and even in FY 2004 alone private commercial imports showed the highest amount at 22.89 lac MT.

3.2 Production scenario of major crops

Within the agricultural sector, the crop sector is the most significant part contributing 74 percent of the agricultural GDP in 2002-03¹⁴. Forest and livestock

¹⁴ Bangladesh Economic Review 2004

contribute, respectively 10 percent and 16 percent. And within the crop sector rice is the most important one. We will consider rice and wheat to examine the production situation.

Three main types of rice - Aus, Aman and Boro are being harvested in Bangladesh. Due to the existence of intense monsoon season in Bangladesh, Aman (wet season crop) and boro (dry season crop) are being produced heavily in the low lying land.

The total production of rice in 2002-03 was 251.87 lac MT, in which Aus, Aman and Boro contributed, respectively, 7.35, 44.13 and 48.52 percent. The total production in 2002-03 was 3.65 percent higher than production in 2001-02. This is a good recovery from the previous year. Out of the last twelve years the highest growth rate of production was experienced in 1999-00.¹⁵

In the case of disaggregated rice production for Aus, Aman and Boro, there is a clear decreasing trend of Aus production¹⁶. For Aman and Boro there is increasing trend, particularly in 1999-00 when Aman experienced a robust growth and in 1998-99 Boro production growth was impressive. The area cultivated for Aus shows a decreasing trend whereas for Boro it was increasing. Aman was almost at stagnancy.

The changing scenario¹⁷ of the three types of rice shows that Boro is comparatively providing more yields (production/acre) than the other two. The gap between the physical production and area under production is decreasing for Aus; for Aman it is not that significant, but for Boro it shows remarkable progress – for the first half of last decade the production line was on acre line and from 1996-97 onwards the production line crossed the acre line, which means per acre yield is above one. It would be important to examine the comparative advantages of cost of production for Boro. According to Bangladesh Rice Foundation, the cost of production for Boro is higher than Aman and Aus¹⁸. Perhaps higher per acre yield of Boro is compensating the higher production cost.

In the case of wheat, for the last four financial years we have seen a decreasing trend of wheat production. In 2002-03, wheat production was 6.16 percent less compared to production in 2001-02. From 1990-91 the wheat production showed upward trend and was at its peak in 1998-99. Its yield rate has been impressive over the last twelve years.

¹⁵ See Bangladesh Economic Review, 2004

¹⁶ Ibid

¹⁷ See Annex Figure 1, 2 and 4, 3

¹⁸ "Next Step in Rice: Bangladesh Rice Foundation. 29 Jan 2003. p 74

Over the last twelve years, the total area of land cultivated for rice and wheat has shown an increasing trend. The yield rate is also showing an upward trend though it is below one. The gap between area usage and production line is becoming narrower.

3.3 Agricultural products in trade

According to GOB, Bangladesh has attained food self sufficiency. It is also reflected in government's actual budget where net domestic production is higher than the requirement. So trade (imports) in agricultural products particularly rice needs a closer look to understand as to why our food imports are at high level.

In year 2003-04(till 22nd May, 04) total food grain import was 2557.6 thousand MT. In 2002-03 it was 3221 thousand MT which was 79.14 percent higher than in 2001-02. In the last decade, we experienced highest food import due to devastating flood though total production was only slightly lower than the earlier year.

In 2003-04(till 22nd May, 04) rice import was 788.4 thousand MT and wheat import was 1501 thousand MT. The growth rate of rice import in 2000-01 was 23.59 percent, in 2001-02 it went down. For wheat in 1999-00 and 2000-01 the growth rate was negative but for 2001-02 and 2002-03 growth rates were respectively 119.29 and 20.75 percent.

The import expenditure for rice in 2002-03 was 211 million USD and for wheat it was 198 million USD¹⁹. However, per MT expenditure for import showed a clear downward trend for rice and wheat which means imports for these products are becoming cheaper. The reasons could be the liberalisation of crops in other countries and less protectionism in our country. The major source of import is India. Recently the Indian Govt decided to release their stocks at almost half of their economic prices (subsidized rate) and this allowed the private exporters of India to dump their products at prices lower than their domestic prices; and the wholesale price of rice and wheat was higher than international price which tempted the private importers to import more for benefits²⁰.

From the domestic front, in the name of structural adjustment Bangladesh government had to cut average tariff rate from 102 percent to 27. In early of 2001-02, the average tariff rate for rice was 34 percent and for wheat, 14 percent only.

¹⁹ See Bangladesh Economic Survey

²⁰ Dev Uttam, Bangladesh Food Situation in FY2002, *IRBD2002, Centre for Policy Dialogue, P84*

Government also took initiative to block import. Though there was no quantitative restriction, government banned food import through all land ports except Benapole. Earlier we had 15 tariff steps. In order to ease the import, government reduced it to 5; and has taken steps to equalise the statutory and applied tariff. As a result, the average tariff for all products came down from 300% (in 1992-93) to 30 percent (in 2003-04). Due to tariff reform the weighted average tariff for primary products came down from 21.4 percent (in 1998-99) to 19.89 percent (in 2001-02) and for intermediate products it was reduced from 19.0 to 14.42 percent during the same period. In the same year LC margin was reduced from 100% to 25% and withdrawal of 10% regulatory duty. According to the Ministry of Food these steps were taken to stabilise the food grain price²¹. But the paradox is while private food grain import was 1.28 million tone in 2001-02, government's procurement was 1.05 million tone. In 2001-02 the variation of domestic price of paddy was 56 percent and procurement price was higher than the market price. The question is that the domestic price is not being setup by the domestic factors only – a large margin of import now plays a role in price setting. Where the procurement amount is lower than the imported amount, how much cost of others, who is pressured to sell their products at low price, would be offset.

In terms of exports, Bangladesh's exports are not that significant. Though we are a net food importer we export some agricultural products and processed frozen food. In 20 03-04 (till March 04) total export of agricultural products and frozen food were respectively, 24 and 274 million USD²². According to GOB, subsidy and support should be increased by a large scale for the agri-export sector. At present 25 percent cash alternative support is being provided for exports of agri-products.

3.4. Inputs for Agricultural production

Land is the most scarce and critical factor for agriculture production. Among others fertiliser, irrigation, pesticide, agricultural credit and labour are essential inputs for agriculture. It is to be noted that all these depend much on the agro-ecological condition, price and availability, adoption and availability of improved technology.

The total available **land** in 1980-81 was 14.29 million hector which was 14.85 million hector in 2000-01. Although the total available land increased the net

²¹ Bangladesh Food Situation Report-August 2002.

²² Source: EPB

cultivable land came down from 9.38 to 8.40 million hector during this period. However if we consider total crop area, it was 13.16 million hector in 1980-81 and 14.30 million hector in 2000-01. Due to improved technology and high demand, the cropping intensity increased from 153.69 to 177.00 between 1980-81 and 2000-01.

Nine types of **fertilisers** are used by our farmers, of which, Urea, TSP and SSP usage are always high. The fertiliser usage shows an increasing trend²³ except for the year 1997-98. In 2002-03 total 3293 thousand MT was used which is 0.59 percent higher compared to previous financial year 2001-02. For Urea alone it increased 45 percent in 2002-03 compared to 1992-93. Use of phosphate fertilisers increased 28 percent during the same period though usage of TSP considerably went down between year 1994-95 and 1998-99 and almost at the same time the usage of SSP remarkably went up. Due to increase of total cultivable land the fertiliser usage rate was higher²⁴.

The domestic production of fertiliser (mainly Urea and TSP) was 2263.52 thousand MT in 2002-03. In 2001-02 it was 1753.5 thousand MT. The domestic production from 1995-96 to 2002-03 didn't increase that much to meet the domestic requirement. The gap between the domestic production and usage was at par in 1997-98²⁵. It is quite certain to assume that the gap was filled by the imports of fertiliser or by other sources. The import expenditure for fertiliser was 131 million USD in 1992-93 and in 2003-04 (till March) it amounted 135 USD. It seems that the import price of fertilisers was lower than the domestic price. The increased usage of Urea and SSP, and decreased usage of TSP may be attributed to the increase of domestic price for TSP. It indicates one important aspect: due to increase in domestic price for TSP, the demand pressure was on Urea and SSP; and it created forced demand for import of Urea and SSP at the price lower than the domestic TSP price. Another reason was the high TSP/paddy price ratio due to elimination of explicit subsidy on fertiliser and low paddy price during 1990's²⁶.

Irrigation is a critical input for food grain production. Among available means for irrigation, the power pump, shallow and deep tube-wells are most widely used

²³ See figure 6 in the annex

²⁴ Ministry of Commerce

²⁵ See figure 7 in the annex

²⁶ Dev Uttam, Bangladesh Food Situation in FY2002, *IRBD2002*, Centre for Policy Dialogue, p67

tools²⁷. In 2000-01 tube well covered 71 percent of total irrigated land of which shallow alone covered 55 percent. Approximately 17 percent of the total irrigated land covered by the power pumps. Area irrigated for Boro rice production in 2000-01 was 72 percent of total irrigated land. The uses of diesel operated engines are highly pronounced. Therefore, the price of diesel is an important factor for total irrigation cost and Boro rice production.

In 2003-04, the total irrigated area by various means was 4.82 (projected) million hector. In comparison with 1999-00, the total irrigated area showed a significant increase in 2001-02 (from 4.51 to 4.80 million hector). Though total irrigated land increased, it covered only half of the net cultivable land.

In the case of price of diesel, the government have increased the price of diesel by 1.5 taka per litre in 2001-02 and as a result per hector irrigation cost of diesel operated engine increased by more than taka 2000²⁸.

Agricultural credit is critical due to the fact that most farmers still operate at subsistence level. The disbursement of agricultural credit in 2003-04 (till March 2004) was 2449.44 crore taka. In 2002-03, it was 3278.37 crore Taka. This was 10.94 percent higher than in 2001-02. The interest rate of government bank (Sonali Bank) on agricultural loan was reduced from 12.5 percent in 2001 to 5-9 percent in 2004. Other government banks and specialized banks also reduced their interest rates.

According to the National Seed Policy, BADC is the only organisation which is supposed to provide seeds of different crops to the farmers. However, seeds distribution by government has been much less pronounced as compared to the demand. Data is available only up to year 1996-97. Seed distribution through BADC is less than 10 percent of total demand.

4. Livelihoods Concerns of Small and Marginal Farmers and Landless Agricultural Workers

As mentioned earlier, 62.30 percent of total labour force in Bangladesh is employed in the agriculture sector. The dominant factor for agricultural sector is the land. Land ownership, availability and utilisation are the key concerns for our farmers. Not only that our climate, environment and existing policies and practices all play pivotal role in the life and livelihoods of the vast population

²⁷ BBS, Yearbook of Agricultural Statistics of Bangladesh 2001, June 2004

²⁸ Dev Uttam, Bangladesh Food Situation in FY2002, *IRBD2002, Centre for Policy Dialogue, P68*

engaged in this sector. According to Agricultural Census report, our farmers can be divided broadly into three types: small and marginal holdings (0.5 to 2.49 acre), medium holdings (2.5 to 7.49 acres), and large holding (7.5 + acres). The total number of farms increased between 1983-84 and 1996; but the area of the farm has actually been decreased indicating that the average size of the farms went down from 2.26 to 1.69 acre (Bangladesh Census of Agriculture, 1996). The distribution of farms shows that over this period the small and marginal holdings increased whereas the number of medium and large farms Bangladesh decreased (Bangladesh Census of Agriculture 1996). It is mainly due to increase in population that the numbers of small and marginal farm increased; but there is also strong indication that some of the medium farmers moved to small and marginal holding groups, and some moved from large to medium groups. It is to be noted that the number of landless peasants has also shown an increasing trend.

Overall, the agriculture is at the subsistence level. The poverty intensity is the highest for agriculture sector, both in terms of lower and higher poverty lines. And the increase of marginal and small farm holdings with less-than-before area of holdings implies that this sector is entering more into the subsistence level. The propensity of poverty is lower for large farm holdings and the situation worsens with less land holdings; and poverty is the highest for the landless. Over 24.5 million people live under hard core poverty line (1805 Kcal). Consumption of low level nutrition causes malnutrition in the low level group. All these indicate that the situation of landless agricultural workers, and small and marginal farmers are deteriorating. In order to cope up with the small holdings coupled with the high intensity of poverty, they are forced to end up with search for alternative employment in the rural areas first, and after long term unemployment, are forced to outmigrate from rural to urban areas. This is basically a process of shifting rural life into urban space²⁹

The income distribution in rural areas shows that the gap between lowest 5 percent and highest 5 percent increased in 2000 compared to 1995-96. The Gini coefficient increased from 0.384 to 0.430. However, in 2000 the average monthly per-capita income is higher than the monthly per-capita expenditure in rural areas³⁰. The consumer price index (base year 1985-86=100) in 2002-03 for the rural areas is 258.71 for general products and for food products 254.97, which are 5.26 and 5.03 percent higher respectively compared to 2001-02. The real wage in

²⁹ Abul Barkat and S Akhter 2001, 'A Mushrooming Population: The Threat of Slumization Instead of Urbanization in Bangladesh', in *Harvard Asia Pacific Review*, Volume 5, Issue 1, Winter 2001.

³⁰ Source: Bangladesh Economic Survey 2004, p 158-159

the agriculture sector has not increased that much compared to nominal wage rate. Considering the base year 1969-70, in 2002-03 the real wage rate was 118 and the nominal wage rate was 2443. In 2002-03 the retail price index for agricultural products and inputs are respectively 1922 and 1966 respectively. In comparison with the year 2001-2002 these indexes have gone up 6.19 and 1.78 percent, respectively³¹.

According to the standard set by the government, crossing poverty level requires 2240Kcal of nutrition and 476 gms of food³². According to HIES 2000, in 2000 national average of food grain intake was 476 gms which is equivalent to 1666Kcal and the share of calorie out of food grain is declining over the years. It means, quantity is increasing but quality is deteriorating. All these information indicate that the living standard of small, marginal and landless farmers is deteriorating with a lower real wage, low level of land holding, higher input cost and increased prices index for food.

All these provide ample indications about the consequences of policy practice around the agricultural sector. This outcome has close relations with the emerging role of MNCs and TNCs. The role of TNCs and MNCs started with the “Green revolution”. It is no of great use of “Green revolution” but it is of high utility to debate about the whole issue of “Green Revolution”. The real cost of Green Revolution with all its externalities should not be borne by the small and marginal farmers. The reality is that these poor farmers are forced to bear the burden. The marginalisation of farmers has become more prominent due to liberalization and commercialisation of agriculture. The dependency of the farmers on the TNCs and MNCs who are the major suppliers of inputs has been on the rise. Evidence suggests that the marketing of hybrid seed by the TNCs and MNCs causes loss to the farmers; the cost of using the hybrid seeds is not only high but also destroys the traditional varieties and processes. The usage of agricultural input is also higher for these hybrid seeds. This increases the cost of production. It, not only, eventually threatens the preservation and using the indigenous seeds, but is also detrimental to communal lands, and creates loss of biodiversity and soil exhaustion. The threat will be obvious if the intellectual property rights come into action. This commercialisation has many other detrimental dimensions, it opens up the opportunity to utilise the limited resources into profit oriented mechanisms. As a result, we see resources with our farmers are being forced to be used for

³¹ Source: Bangladesh Economic Survey 2004, p 208-210

³² Bangladesh Food Situation Report-August 2002

production for these TNCs and MNCs. With the increased cost of production and limited or no land holding the farmers are forced to search for alternative occupation/profession.

5. Some Concluding Remarks

The agriculture sector is vital for Bangladesh economy and it will remain so in the near future. There are a number of emerging issues closely associated with globalization and commercialization that need in-depth assessment to ensure sustainability of this sector. The domestic policies are not conducive enough to ensure pro-poor development of the sector. On the to that, WTO policies are just neck behind. The production system of agriculture is exposed to global forces. A lot of modern inputs, mainly seeds, chemical, and irrigation system are now being used; but they are processed through wholesale privatisation. As a result, the costs of inputs are increasing. With the low average farm size, the marginal and small farmers need government support to offset this cost. For instance, whereas irrigation cost is 28 percent of total cost of production; in Punjab, India it is 13 percent, 8 percent in Thailand and 6 percent in Vietnam³³. The reason for lower irrigation cost in those countries is mainly for the subsidised irrigation support system – either in the electricity or in the construction or through other means. As diesel is the main source of energy for our irrigation, GOB should provide support to the farmers in diesel price, in addition to other means. We have observed high growth of production of food grains but a sharp declining trend of Aus rice production tends to show dependency on the other two types of rice. The cost of Boro production is higher than the Aman's, whereas its production growth rate is higher than Aman's. In 2001-02 the average domestic price of rice came down due to harvest of boro crop³⁴. The price is the most important factor for maintaining food security. It is imperative to keep the stability of domestic price. Low price brings welfare for low income consumers but it shouldn't be at the cost of producers and vice versa. So, a determination of proper balance between demand and supply in the domestic economy and absorption capacity of international price fluctuation is important.

Diversification of agricultural products, particularly the crop products, is critical. It is important not only for domestic market but also for external market. At

³³ Hossain Mahboob, Deb Uttam Kumar, Trade Liberalization and the Crop Sector in Bangladesh, *CPD Occasional Paper Series Dhaka, July 2003* page 10

³⁴ Bangladesh Food Situation Report, Ministry of Food-August 2002

present only a few crops registered growth while the actual production of others declined³⁵. Lack of necessary research and out dated technologies is another issue. Only two-tenths of a percent of agricultural income is spent on research³⁶.

The nutrition intake and real wages declined for the small and marginal farmers and agricultural workers. Over the last decade the income incidence of poverty declined by about 9 percent and real per capita increased by 2.5 percent per year and this is noticeable for rural areas³⁷. Rising income inequality poses a real question to food security.

The withdrawal of subsidies and support to the agricultural sector by GOB could be detrimental to our farmers. The experience with WTO shows that developed countries are continuously protecting their sectors with various forms of support and put pressures to opening up developing countries' market for them. GOB has taken some steps within the framework of structural adjustment, which causes rapid increase in food grain import. To some extent it is opened for India for export dumping. GOB must take steps to protect the farmers with tariffs within the bound rate and regulatory duty³⁸. GOB also may consider other means like anti-dumping duty. There are other clauses like "Special and Differential Treatment". As an LDC, GOB is free from any reduction commitments; in addition to that some investment measures for strengthening the food security and improving the condition of poor farmers are exempted from liberalisation. GOB should take appropriate measures to increase the investment in agriculture sector and examine other clauses that would be beneficial to our agriculture.

Bangladesh is disaster prone. Throughout the year there is a cycle of disaster happening at different parts of the country. In disaster period, the food grain is the most vulnerable sector: production of crops goes down, process goes up and creates the highest level of price fluctuation. The demand for food crop increases double and triple folds as some farmers (who generally produces for themselves) enter into the domain of demand group. In order to tackle that government needs to take various steps like reducing import restriction in order to allow private importers to import and at the same time perform its regulatory role to ensure price stabilization within the reach of the poor and distressed vulnerable people.

³⁵ Ahmed Imam, Bangladesh Agriculture at the Crossroads: Current Challenges, CPD, p 3

³⁶ Ahmed Imam, Bangladesh Agriculture at the Crossroads: Current Challenges, CPD, p 6

³⁷ Bangladesh Food Situation Report, Ministry of Food-August 2002

³⁸ "Next Step in Rice" Bangladesh Rice Foundation, 29 Jan 2003 p 83

Figure 1: Area used and actual production for Aus ('000 acre, '000 MT)

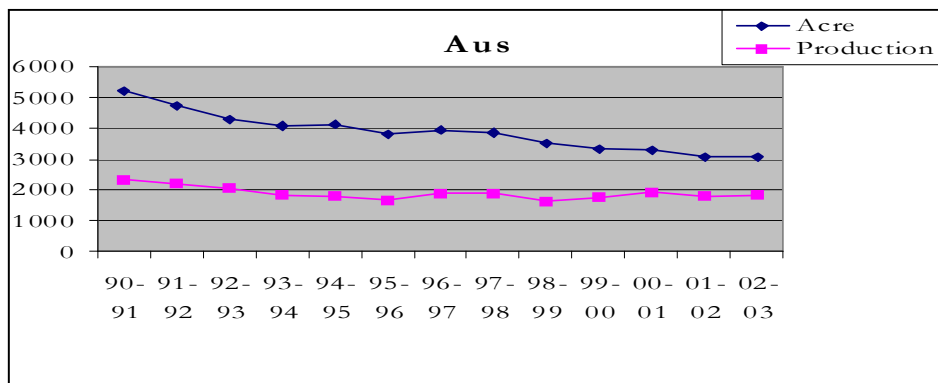


Figure 2: Area used and actual production for Aman ('000 acre, '000 MT)

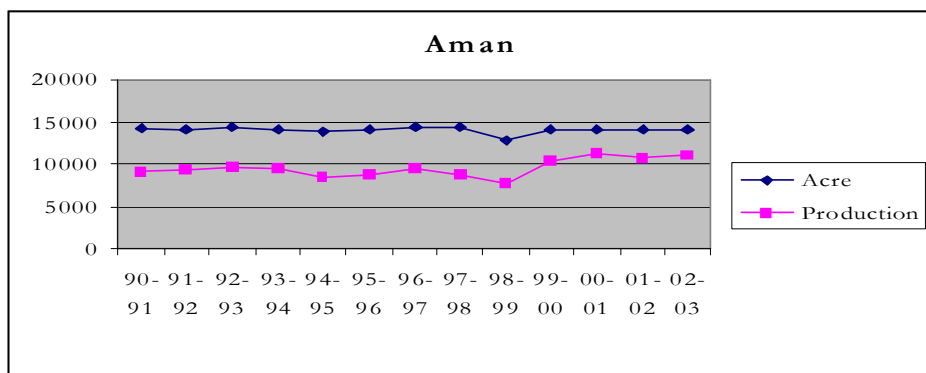


Figure 3: Area used and actual production for Boro ('000 acre, '000 MT)

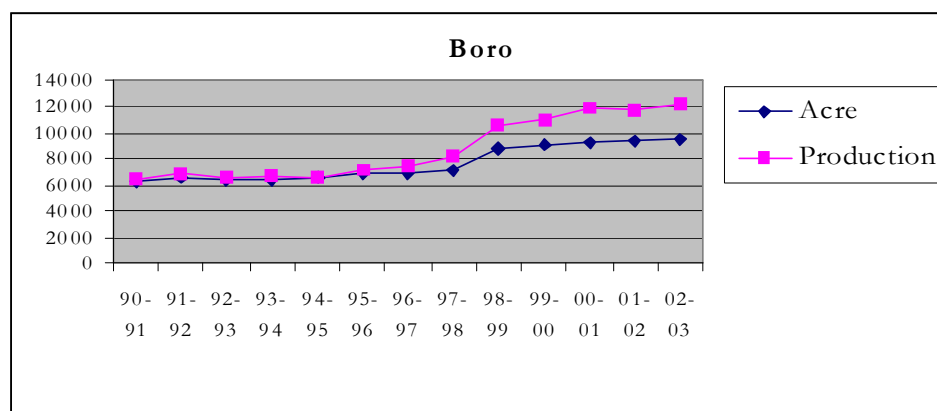


Figure 4: Area used and actual production for wheat ('000 acre, '000 MT)

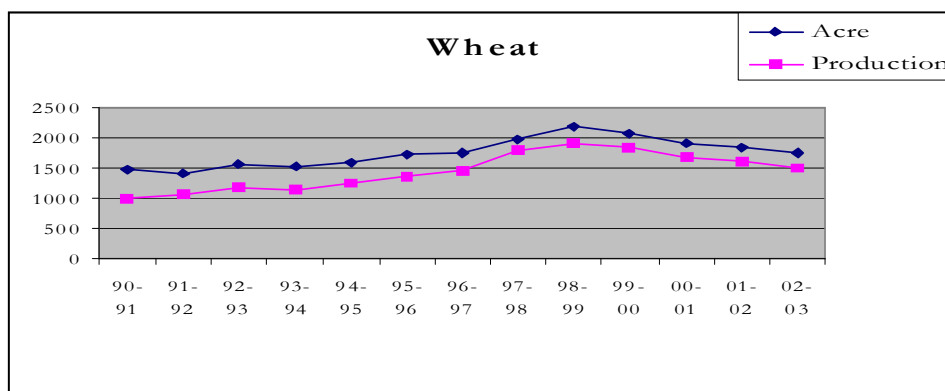


Figure 5: Per MT import expenditure ('000 acre, '000 MT)

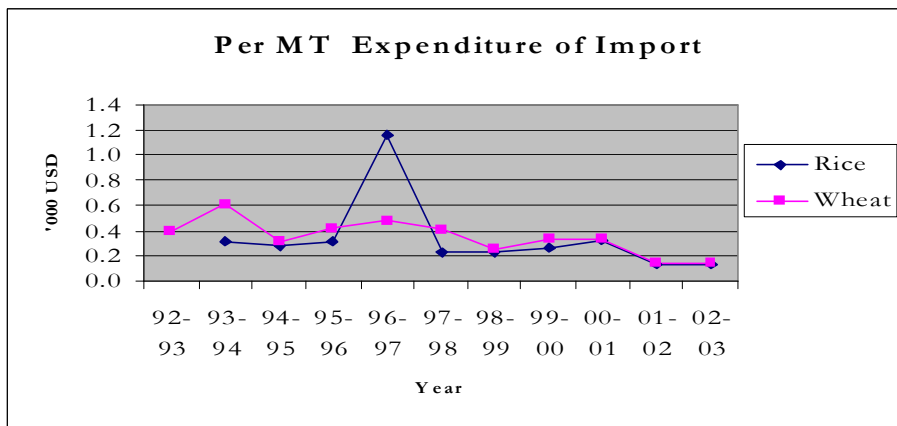


Figure 6:

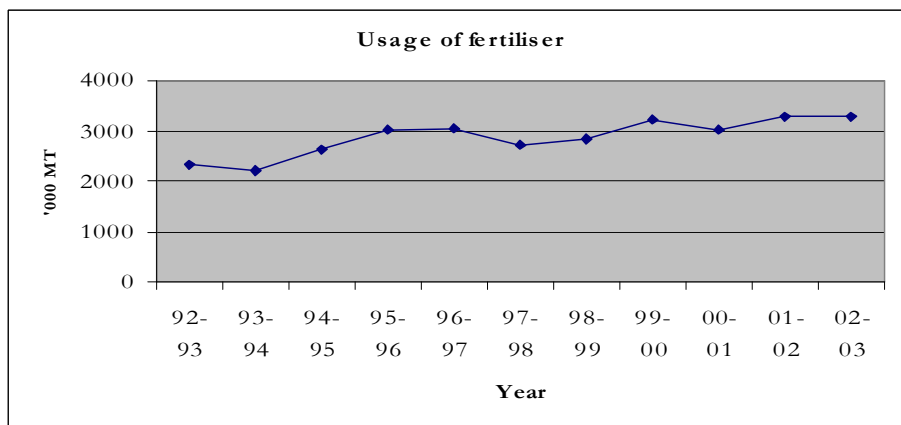


Figure 7:

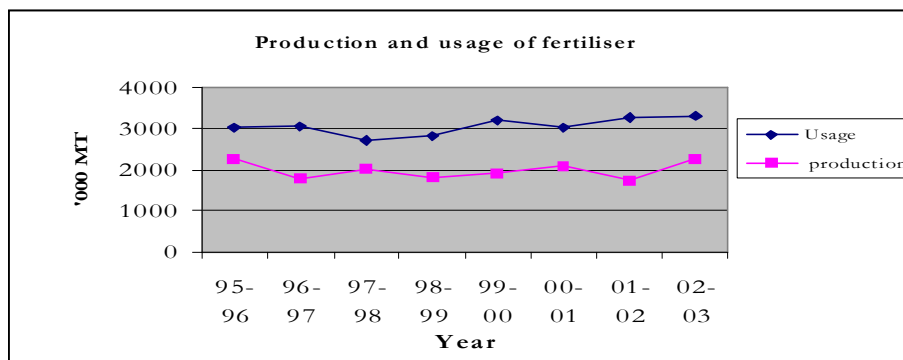
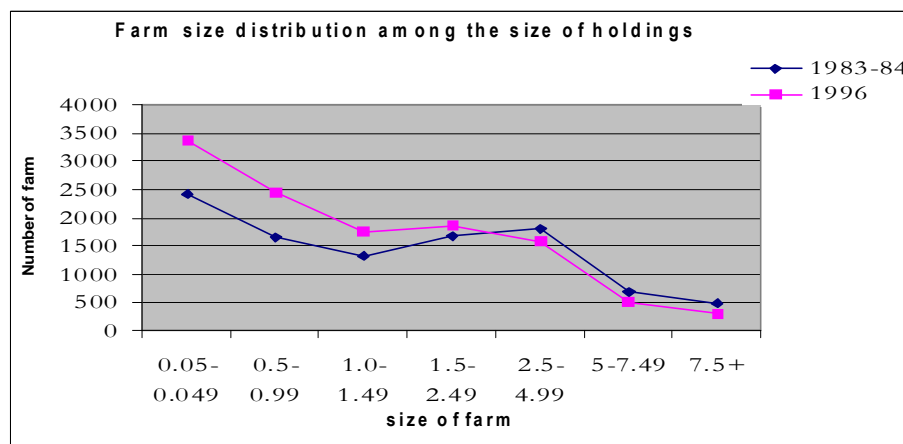
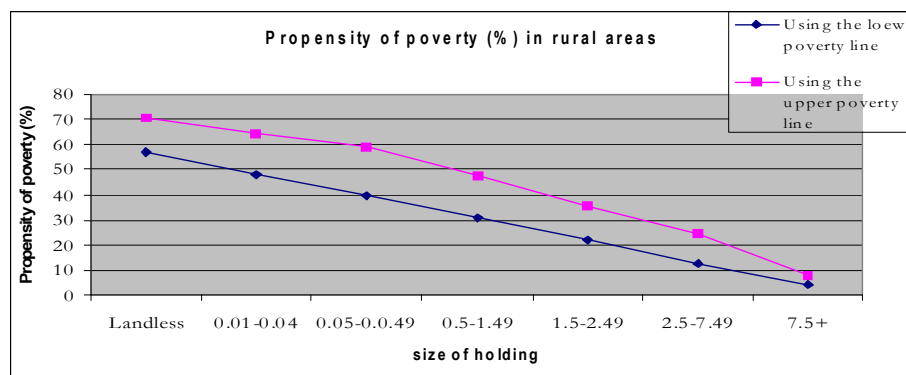


Figure 8:



Source: The Bangladesh census of Agriculture 1996 (rural), BBS

Figure 9:



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