

Heading for trouble

Manmohanomics and the environment

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ON June 17, Finance Minister Manmohan Singh delivered a lecture on "Environment and the new economic policies." Many of those concerned over the potential social and ecological impact of the new economic policies (NEP) attended this, hoping to hear something to allay their fears. They were disappointed. The Minister skirted most of the critical issues, displaying an unconvincing faith in the ability of his new policies to improve "eventually" environmental and living conditions.

Under the NEP, drastic "stabilisation" and "structural adjustment" programmes are being put into effect to meet the balance of payments (BoP) crisis and propel the economy into quicker growth and global integration. Apart from direct fiscal policies, the major components of the new package include boosting exports to earn foreign exchange, liberalising industrial production, dropping barriers to the entry of foreign companies and goods, expanding privatisation and cutting Government spending. Some of these are a part of the International Monetary Fund (IMF)-World Bank-led structural adjustment programme (SAP), a set prescription which these agencies have forced on dozens of Third World countries.

The drastic package has understandably set off considerable debate on issues of economic management and national sovereignty. But the debate has only marginally touched the vital question of how the NEP will affect the environmental and living conditions of the people.

The environment has so far been looked at by conventional economists and development advocates, whose vision is the driving force behind the NEP, as either or both of two things: an exploitable resource and a sink into which the effluents of affluence can be thrown. This view ignores the fact that for the vast majority of Indians, the environment forms the very basis of their subsistence economy. Forests, land and water bodies directly meet

their food, water, housing, energy, medical and cultural needs. Environmental degradation first and foremost threatens the lives and livelihoods of these people. In adopting the NEP, is the Government mindful of this?

It seems not. It is, of course, difficult to predict with accuracy the impact, for the interplay of various economic, social and ecological factors is complex. But important lessons can be drawn from the experiences of other Third World countries which have come under similar adjustment regimes, and some analysis can be attempted by juxtaposing past developmental trends in India with the new policies. The overwhelming impression is that the NEP could lead to an acceleration in the already-deteriorating environmental situation, and consequently further marginalisation and alienation of communities that are living in economically and ecologically vulnerable conditions.

Take, for instance, export-orientation. With foreign exchange (forex) as the new god, the Government will be keen on earning it any way, regardless of the environmental consequences. This, of course, is not a new phenomenon: export of iron ore from Goa had devastated its once-lush forests; granite mining for export to Japan from Andhra Pradesh and Tamil Nadu has laid bare hills in those States; processing units in Tamil Nadu and along the Ganges for India's fourth largest export—sugar, leather, have polluted water over vast stretches. Now, the SAP aims to convert India into an export-led growth economy. This will additionally mean a transformation of farming on staple food and subsistence crops into cash-cropping, intensification of commercial fisheries in marine and freshwater areas, increase in mining for raw mineral exports, and so on. This trend is already evident. In a bid to "tap the country's vast marine resources on a priority basis," the Government recently cleared eleven 100 per cent export-oriented deep-sea fishing ventures in the private sector, with foreign collaboration.

It can be argued that these trends in themselves are not destructive. Experience of India and other countries,

however, strongly suggests that they are. When the predominant motive for change in an economy becomes profit-seeking and foreign exchange-earning, the neglect of environmental and social responsibility grows. Cash-cropping in many parts of India has already led to severe problems of water overuse and pollution, fertilizer and pesticide contamination and land degradation. Large scale commercialised fishing has led to the destruction of aquatic and coastal ecosystems and the marginalisation of the traditional fisherfolk. There is nothing in the SAP to check the compounding of these trends.

Recently, an agribusiness consortium was proposed by the Government ostensibly to help small and marginal farmers — to give a boost to commercialising Indian agriculture to cater to the expanding consumerist markets, both locally and abroad. Dr. M. S. Swaminathan, chief architect of the Green Revolution in India, praised this proposal, saying this "second Green Revolution" would shift the emphasis on meeting the minimum needs in tapping the full commercial potential of agriculture. Suddenly it seems meeting the minimum needs (like food and water) is no longer important, so long as money, especially forex, can be generated.

The experience of Latin American countries is indicative. Under the SAP, the Costa Rican Government has, since 1985, encouraged beef export, clearing thousands of hectares of forests for conversion into ranches. The burgeoning cattle population has "overgrazed," increasing topsoil erosion and killing the country's only coral reef due to silt accumulation. Under IMF recommendations the Government reduced credit to subsistence farmers, replaced indigenously-grown basic grains with imports from the United States, and subsidised cash crops (strawberries, melons and ornamental flowers) for export to the U.S. The resultant ecological damage has been accompanied by a rapid growth of poverty and increasing income disparity.

Similarly, over a large part of the African continent, SAP policies of export-orientation have aggravated eco-



Young Filipino ragpickers rummaging through a mountain of garbage, the effluents of affluence generated by unbridled economic liberalisation... destructive dumping.

logical degradation through excessive cropping, overgrazing, soil erosion, and deforestation. For example, Zimbabwe was till recently hailed as one of the few "successes" in Africa, with an efficient public distribution system and self-sufficiency in foodgrains. Not any more. In the current drought year, the country is facing critical famine conditions. Part of this is a direct consequence of the IMF-influenced forex chase, which forced the Government to sell off one year's stock of foodgrains, depress the price of the staple crop maize, and encourage farmers to switch to cash cropping.

The other major component of the SAP is the liberalisation of the economy. Unnecessary bureaucratic hurdles definitely need to be removed, but the tendency seems to be to throw the baby out with the bathwater. In no country has industry on its own shown social and environmental responsibility: there has always been a need for appropriate regulations. Such regulations are in grave danger now. The first hint of this has come in the strong opposition to a proposed Central Government notification of January 1992, which would make environmental

clearances for major industries and development projects mandatory. Such a notification is long overdue to control the haphazard, and often politically-motivated, siting and planning of development projects with severe social and environmental impacts.

Nor surprisingly, the strongest objections to this move came from several Chief Ministers, industrial houses and export conglomerates, all of whom argued that such a notification would create barriers to the new-found industrial "freedom". To his credit, the Prime Minister defended the notification at a meeting of the National Development Council (NDC), but has not yet approved its final wording. In the new "liberalised" (reads free-for-all) atmosphere, the Environment Departments in all States and at the Centre are going to become everyone's punching bag and will find it harder and harder to enforce their regulations.

Accompanying liberalisation is an emphasis on privatisation. Resources, which are considered for the common good and are under public control, may increasingly come under private corporate control. This sector has shown scant respect for the environ-

ment, let alone for the needs of the poor. Particularly severe will be the adoption of "user charges" on essential services such as drinking water, sanitation and medical care regardless of whether people can afford to pay or not. Such a measure has been recommended by the World Bank for years, ostensibly to increase the economic viability of social services by adopting the principle of "cost recovery".

Yet another thrust of the SAP is the opening up of the country to foreign investment and goods. Limited competition from abroad in specific sectors may do the industrial sector some good. However, with what is proposed, the environmental consequences will clearly offset the gains. An extreme form of this mindset became evident in a recent internal memo circulated by World Bank chief economist Lawrence Summer. He suggested that the Bank be "encouraging more migration of dirty industries to the less developed countries," where concern for the economic and social costs of pollution is less than in developed countries.

The transfer of hazardous industries and commodities, as has already happened in Africa, becomes much

easier with the new open-door policies. The Indian Government is wooing Japan's giant corporations, many of whom have a horrendous environmental record in southeast Asia. These mining concerns have caused the decimation of the rainforests of the region and consequently the dispossession and displacement of entire tribal and peasant communities. Narasimha Rao's recent visit to Japan with a begging bowl is a chilling forerunner of things to come.

At the current juncture, the Government will have to continue to play an important role in harmonising developmental and environmental interests. This was recently reiterated by the Prime Minister. But will the NPP allow this? It is here that the IMF-World Bank insistence on increasing government efficiency by cutting spending is of particular concern. Though these agencies do not neces-

sarily specify which sectors to make budgetary cuts in, countries under the SAP conditionalities invariably end up chopping allocations for these social or "soft" sectors which cannot show immediate tangible returns.

Manmohan Singh's 1992-93 Budget is particularly harsh in this respect. While some of the cuts may be justified on account of under-utilisation in the previous year, the severity indicates another logic at work. Allocations for the prevention and control of pollution have been cut (in real terms) by 35.5 per cent at a time when the policies outlined above are likely to increase pollution. Rural sanitation programmes have suffered a cut of 46.8 per cent and the rural water supply project of the Water Mission, 35.2 per cent of its budget. In a situation in which lakhs of children and adults die or are afflicted by water-related diseases every year, this is extraordinarily callous. Other programmes which have suffered are wasteland development (down by 22.5 per cent) and promotion of non-conventional energy sources (by 26.9 per cent). But the heaviest reduction (61 per cent) is in the biomass development programme, displaying total insensitivity towards the 30 crore people (40 per cent of the population) whose existence is tied to the health and availability of biomass fuels and fodder.

These spending cuts are already having their impact on the rural poor. Several voluntary organisations working in the drought-hit areas of Rajasthan have reported intensified distress as allocation of foodgrains under the public distribution system (PDS) has been severely curtailed. Cuts in the water supply and biomass development programmes may undermine long-term anti-drought measures. Further desertification could result where the Government reduces investments in conserving or regreening, while the rural poor have no option but to overuse the meagre natural resources left. Experiences from several sub-Saharan African countries under the SAP indicate the clear correlation between SAP policies and intensified desertification.

The health impacts of the NPP are particularly worrying. Reductions in investment towards improving civic infrastructure, particularly water supply and sanitation, have resulted in sudden outbreaks of cholera in several Latin American countries. The IMF, in the case of Peru, was directly held responsible. In mid-1991, Hiroshi Nakajima, Director-General of the World Health Organisation (WHO), said: "The economic adjustment programme dictated by the IMF is responsible for the

increasing cholera epidemic in Peru. Without doubt, in order to comply with payments claimed by the IMF, Peru now finds itself in a position that it cannot allocate more resources to fight the cholera epidemic."

Many communities in India live in perilous conditions where epidemics of water-borne diseases (cholera, diarrhoea, typhoid and hepatitis) can occur at any time. These communities are in urgent need of health and housing infrastructural inputs to reduce the incidence of such occurrences. Instead, the Government is reducing allocations, which could result in more debilitating living conditions.

In its eagerness to maintain an "honourable" record of repayments so that even more money can be borrowed from the IMF, the Philippines Government has diverted money from primary health care, drinking water schemes, employment generation, housing and nutrition. The results are horrific on women and children, as has been repeatedly pointed out by the United Nations Children's Fund (UNICEF) and Filipino non-governmental organisations (NGOs). One child is reported to die every hour because of the diversion of resources for debt-servicing.

Manmohan Singh, in his lecture, correctly stated that the government is "here and now" for the majority of India's people. Unfortunately, his severe Budget cuts do not reflect any concern for this "here and now." According to him such cuts are only temporary, and greater allocations will be possible once the economy stabilises. Such logic not only is small compensation to a drought-hit Rajasthan struggling for survival "here and now," but also exposes the naivete of a Minister so close to the neo-classical world-view of economics. Nor do the experiences of other nations, caught in the SAP tunnel, inspire confidence that there is an escape from the debt trap even in the long run so long as the model is not fundamentally changed.

An often overlooked consequence of the SAP is the large-scale displacement of populations. In the Philippines, the policies resulting from debt-servicing (of \$6 millions a day) have displaced hundreds of thousands of people from their productive lives and driven them into huge squatter settlements that surround the cities. In Brazil, the conversion of agricultural lands into export-oriented cash-cropping (soybean) has displaced thousands of small peasants, who have been forced to clear the Amazon rainforests to eke out a perilous living.

The irrefutable evidence of environ-



S. Kishanuraman

Extensive granite mining has laid bare entire hills... export drive and ecological devastation.



Tannery effluents have choked up the Ganga at Kanpur.

mental damage from a minority of SAP-affected countries should have cautioned New Delhi to proceed only after a thorough understanding of the likely consequences in India. Yet, *there was no environmental or social impact assessment of these policies by either the Government or the funding agencies*. Indeed, it is unlikely that the Ministry of Environment and Forests and other relevant Ministries were even consulted.

One of the worst aspects of the NFP is the thoroughly undemocratic process in which it has been adopted. There was no public debate or any attempt to explain its consequences. In his June 17 lecture, Manmohan Singh said a debate should take place now. This is like throwing open the stable door to the horse out (or rather, to let the multinationals in) and then asking everyone to debate whether the doors should have been opened or not.

For those who question these policies, democratic space is being further squeezed. Thousands of workers were arrested, in a pre-emptive move, before their June 16 strike in protest against the new economic policies. So keen is the Government to suppress its donors that a peaceful rally of nigha movements in March in Delhi to protest against the IMF and the World Bank was stopped 3 km short of the World Bank office and told that it could go no further. Unprovoked

roughing up and arrests followed. Such "long-distance" protection is not given even to the Prime Minister.

In the face of such opposition, which is mild compared to the "food riots" and indeed the topping of governments that have occurred in other countries, the IMF's stand remains tragically irresponsible and unaffected by the lessons of history. In September 1991, the IMF told the United Nations that "programmes supported by the Fund are the programmes of the countries themselves. Indeed, they cannot succeed unless they have the full support of the population, including those whose full economic, social and cultural rights may be infringed upon." If full support is the criterion for success, the SAP is bound to fail in India.

The immense loss of social and human capabilities that accompany the adverse environmental impacts of the NFP is a violation not only of the constitutional rights of the citizens, but also of numerous rights recognised in international legal instruments which India has ratified. These include the Universal Declaration of Human Rights and the International Covenant of Economic, Social and Cultural Rights (ICESCR). The latter recognises "the right of everyone to an adequate standard of living... including adequate food, clothing and housing, and to the continuous improvement of living conditions."

All this is not to say that the pre-NFP days were ideal from an environmental and social justice viewpoint. There is no denying that structural transformation of society and the economy is required. But such a transformation must tackle the patently-inegalitarian control over natural resources (especially land and water) which allows the minority elite to race towards a luxurious 21st century at the cost of further dispossessing the poor of whatever little they have. This transformation must also redirect the present model of development, which is socially inequitable and ecologically unsustainable. The NFP shows no potential for this, but rather reinforces the status quo.

Alternatives to the IMF-World Bank-led policies have been put forward in regional groupings and popular movements throughout the world. Of universal relevance, for instance, is the African Alternative Framework to SAP, coordinated by the Economic Commission for Africa and endorsed by the U.N. General Assembly in 1994. This programme roots itself in effective popular participation and human-centred development with an obligation to maintain sustainable ecological balance between people and nature.

Within India too, the true alternative to the economic crisis lies in getting away from both an over-centralised system and an excessively privatised one. If sustainable development is the goal of economic policies, then there is much to learn from the many genuine people's and governmental developmental efforts that are scattered throughout India: the watershed and land management of Ralegaon Siddhi (Maharashtra) and Sukh-matti (Uttar Pradesh); the organic farming of Ghuri Land (Pondicherry) and Narayan Roddy (Karnataka); the water management and distribution system of Pari Panchayat (Maharashtra); the village republic of Seed (Rajasthan); the efforts at collaborative forest management of villages and forest departments (West Bengal and other States); and countless others. The danger is that the new policies may accelerate the erosion of these genuinely sustainable alternatives. ■

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