Bitter harvest: Third World demands end to farm subsidies
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By Laurie Goering
Chicago Tribune

JOHANNESBURG, South Africa Over the past decade, as the United States and other wealthy nations have pushed for free trade and open markets worldwide, the developing world has found itself in a pinch.

Poorer nations, responding to the world call, have dropped their trade barriers at a rate three times that of the developed nations, the United Nations reports. But when they try to sell their own agricultural products — the backbone of many Third World economies — they cannot find buyers.

Largely that is because, in an effort to protect their own farmers, the leading industrialized countries have boosted subsidies and tariffs on agricultural products by more than 20 percent during the past decade, say United Nations officials and international trade groups.

U.S. officials charge that Europe is the worst offender, spending up to $62 billion a year on domestic price supports, compared with up to $19 billion in the United States. Japan spends up to $31 billion a year.

The United States, however, is hardly moving to lift barriers. The 2002 U.S. farm bill, passed earlier this year, boosted farm subsidies and has been criticized in Johannesburg as a "major setback" to correcting market imbalances.

Subsidized U.S. corn and European wheat, sold at prices below production costs, have flooded into African and Asian markets, undercutting local farmers. In the past 10 years, 30 million farmers have gone out of business around the world, trade analysts say. Third World leaders, long assured that free trade was the surest path out of poverty, are disillusioned — and furious.

As the U.N. World Summit on Sustainable Development focused yesterday on agricultural policy, dozens of environmental, trade and agriculture ministers from developing countries demanded an end to farm subsidies in wealthy nations, calling them hypocritical and a key roadblock to economic progress around the world.

Trade issues at the fore

By warping market prices, subsidies are "imperiling the very survival of producers in West Africa," said Benin's environmental minister, who laid out the case of 12 million West African cotton farmers who cannot find markets for their crops.

And in Zambia "we've liberalized our markets and as a result our markets have been turned into dumping grounds," complained one of that nation's ministers.

The focus of the 10-day Johannesburg gathering is implementing the environmental and social promises made at the 1992 Rio Earth Summit and moving the world toward sustainable development. But in the early days of the summit, trade disputes have increasingly crept to the forefront.

In large part that's because trade and development have become inextricably linked as policy makers have pushed free trade as the fastest and surest route out of poverty. Now that assumption is being questioned by poorer nations that find the doors to the world's biggest markets — and to their own development closed.

"Poor people cannot escape their level of poverty because of subsidies in the developed world," charged Ian Goldin, a director of development policy at the World Bank. While developing nations face plenty of other problems in selling their goods, from a lack of roads to get them to market to inconsistent supply, agricultural protectionism by wealthy nations is "particularly disappointing," Goldin said.

Caught in the crossfire

Agricultural subsidies in richer nations were never intended to hurt poorer countries. Europe, Japan and the United States have over the years adopted agricultural trade barriers largely to protect themselves from each other. Europe has a long tradition of supplementing the income of its farmers; the United States has in turn authorized price supports for key crops and subsidized exports to ensure food security in the country, keep farmers in business and make its products competitive.

The developing world, however, stuck between battling giants, has unfortunately taken most of the blows.

While poorer nations are not necessarily the most efficient producers of food, their lower labor costs should help make their products competitive. But subsidies spur overproduction in wealthy nations and as the excess grain floods world markets, prices collapse, leaving unsubsidized farmers unable to compete.

"The fact is the United States is dumping products into world markets below the cost of production, which drives farmers all over the world out of business," said Kristin Dawkins, vice president of the Minneapolis-based Institute for Agriculture and Trade Policy.

All small farmers suffer

Worst of all, the subsidies don't do much to help small U.S. farmers, who operate at the fringes of bankruptcy. Instead, "the subsidies effectively go to highly capitalized farmers and larger corporations, the Cargills of the world," she said. "The system uses U.S. taxpayer dollars to subsidize international traders who are grabbing more and more market share and driving small producers out of business."

Developed-world agricultural subsidies today total between $300 billion and $350 billion a year, more than the entire gross national product of sub-Saharan Africa, and six times the amount wealthy countries spend on development aid to their poorer neighbors.

The Food and Agriculture Organization of the United Nations is urging wealthy countries to divert $8 billion a year, a small percentage of the money they spend on subsidies, to fight hunger in the developing world.

The Bush administration has proposed eliminating export subsidies over five years and eventually phasing out domestic price supports altogether. But the U.S. says it will do so only if Europe goes along.

"We're not willing to do it unilaterally," one senior U.S. government official said yesterday.

In July, the administration said it was prepared to seek cuts in farm subsidies as part of a new global trade agreement and called for global tariffs on farm products to be cut. But President Bush signed into law a new farm bill in May that is expected to cost $190 billion over 10 years, $83 billion more than the cost of continuing current programs.

Lifting the subsidies will be tough. In both Europe and the United States, agricultural corporations and farmers are a powerful voting bloc, and producing food at home is a proud tradition.

Stopgap measures

Intermediate measures, however, could help. Dawkins' group advocates a worldwide ban on dumping agricultural products at prices below the cost of production, which would effectively curb U.S. and European overproduction of subsidized food, increase the competitiveness of products grown in developing nations and help ensure food is produced where it is needed rather than where it is not, a key to easing global hunger.

U.S. officials admit that removing agricultural trade barriers would increase developing-world exports by a quarter, raise agricultural commodity prices by 12 percent and boost by $21 billion a year the economies of developing nations.

Poor countries, hard hit by falling prices for minerals and other raw materials, and unable to expect much in the way of new international aid, say they need those improvements now.

"While the big countries are fighting, the rest of us are sinking," said Chee Yoke Ling, a spokesman for the Third World Network, a nonprofit international network of organizations and individuals involved in issues relating to development.

"We have no way to fight back."

Information from The Associated Press is included in this report.