

6-6-2002

US Agricultural Subsidies Hurt Free Trade Agreement

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/noticen>

Recommended Citation

LADB Staff. "US Agricultural Subsidies Hurt Free Trade Agreement." (2002). <https://digitalrepository.unm.edu/noticen/8967>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

US Agricultural Subsidies Hurt Free Trade Agreement

by LADB Staff

Category/Department: Central America

Published: 2002-06-06

Despite President George W. Bush's stated intention of securing a free trade pact with Central America, new subsidies to US agriculture have raised doubts about the possibility of such an agreement.

In January, Bush announced his intention to reach a free trade agreement with Central America, saying that the efforts of his administration to create and broaden commercial ties was based on the belief that free trade was the foundation for healthy economic growth (see NotiCen, 2002-01-31). He reiterated his interest in increased trade with the region during a brief visit to El Salvador in March (see NotiCen, 2002-03-28). The US is the largest market for Central American exports, and Bush's proposal was initially met with optimism among Central American governments (see NotiCen, 2002-03-28).

El Salvador's Vice-Minister of Economy Eduardo Ayala suggested that a free trade agreement could serve as a "a tool to help generate opportunities" for new employment and investment. However, in May, Congress passed a farm bill authorizing US\$180 billion in subsidies to US farmers over the next 10 years a US\$73.5 billion increase in existing programs. Central American and Caribbean countries lament the devastating effects that subsidized US competition will have on their agriculture sectors. Given that agricultural production represents 37% of Nicaragua's GDP, the Nicaraguan government has expressed particular concern about the new legislation.

Nicaragua's Agriculture Minister Augusto Navarro has made it clear that signing a free trade agreement with the US would be very difficult under conditions of such unfair competition. Navarro claims that US subsidies make it impossible to compete with US milk and cereal producers. He says Nicaraguan farmers are at a disadvantage because they do not receive subsidies and they do not have access to advanced technology. The International Monetary Fund (IMF) has pressured countries like Nicaragua to refrain from subsidizing agriculture.

Nicaraguan economist Alejandro Martinez Cuenca criticized US politicians for doling out agricultural subsidies as a way to get re-elected. He said they are not taking into account the serious damage they are inflicting upon Central American economies.

Panama's Minister of Agriculture Pedro Adan Gordon has suggested that his country might raise trade tariffs to protect its agricultural producers from unfair US competition. Richard Bernal, a former Jamaican ambassador to the US, calls the new US subsidies "an unfortunate signal" that goes "in the opposite direction to the one we are all moving." Even before the latest US decision to increase subsidies, some Salvadorans were not so keen on the proposed free trade agreement.

Economist Jesus Evelio Ruano of the Universidad de El Salvador (UES) said a free trade agreement would generate "low quality" jobs in the export sector while allowing US investors to pollute the

environment and repatriate their profits. Ruano maintains that the circles of power in El Salvador have pushed a free trade agreement in an attempt to breathe life into a failed neoliberal model. Central American governments have been trying to secure greater access to the US market for years.

In 1999, Central American governments lobbied Congress to extend the US preferential trade agreement (Caribbean Basin Initiative, CBI) that had existed since 1984 (see NotiCen, 2000-10-12). The main goal was to reduce US trade barriers to textile goods. So far, the US agriculture lobby has proven more successful than US textile manufacturers at securing protection from outside competition.

In May 2000, Congress passed legislation granting countries in Central America and Sub-Saharan Africa duty-free access to US markets for a range of goods, including textiles. President Bill Clinton said that the measure would "help developing nations to lift their people out of poverty." Argentina and Brazil have said they would challenge the new US agriculture subsidies at the World Trade Organization (WTO) claiming that unfair US competition would badly hurt their economies.

-- End --