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Colombia must be firm in U.S. trade talks-Stiglitz

By Hugh Bronstein

BOGOTA, Colombia, Oct 21 (Reuters) - Colombia must defend its corn and rice farmers in trade talks with the United States or risk a rise in the coca cultivation that feeds the South American country's violent drug trade, Nobel Prize-winning economist Joseph Stiglitz told Reuters.

In discussions between the United States and the Andean countries next week, Colombia will be pressured to end its practice of automatically raising tariffs when the international prices of corn and rice fall.

Ending these variable duties is a top priority for the United States. But Stiglitz, who has researched the relationship between unemployment and violence in Colombia, says abandoning the automatic tariff mechanism would push the country's farmers into the vast cocaine trade.

This, he said, would fly in the face of Plan Colombia, the more than \$2 billion U.S. security and anti-drug effort.

"The United States is spending billions trying to eradicate the cocaine trade and here we are giving them an incentive to grow more coca," Stiglitz said in a telephone interview from New York, where he teaches at Columbia University.

"These are poor farmers who do not have any savings. If their income from corn and rice and other legitimate crops goes down, they will switch to something else, and the most lucrative alternative is coca," he said.

"So there will be more violence and the U.S. will have to spend more on coca eradication," said the former World Bank chief economist.

The fifth round of talks between the United States and Colombia, Peru and Ecuador will start on Monday in Guayaquil, Ecuador. The agreement, due to be signed early next year, would expose Colombia to new competition, but would also grant the country long-term access to the world's largest economy.

With 75 percent of U.S. agricultural exports to Colombia subject to the country's sliding tariffs, negotiators from Washington will show up in Guayaquil ready to argue for their elimination.

David Mergen, Agricultural Attache at the U.S. Embassy in Bogota, said the levies punish low-income Colombians who get stuck paying inflated prices.

"Corn and rice are the staples of the diet here. So high levels of protection for these products carry a high cost for poor Colombian consumers," he said.

Getting rid of the tariffs would not put a significant number of jobs in jeopardy, Mergen said.

"Commercial rice and corn farming is largely mechanized in Colombia and does not employ a lot of people compared to the production of flowers and coffee, sectors in which Colombia is very competitive internationally," he told Reuters.

FARMLAND ON THE FRONT LINES

Colombia's rural areas form the frontline of the country's 40-year-long guerrilla war.

Much of Colombia's rice, for example, is produced in the central province of Tolima, where the leftist Revolutionary Armed Forces of Colombia, or FARC, was formed in 1964. Another key farm area is the northern province of Cordoba, where far-right paramilitaries hold sway.

Both of these heavily-armed groups rule large swaths of Colombia with an iron fist, funding their activities with money from the cocaine trade.

Faced with the military cost of trying to retake the country while easing the 60-percent poverty rate that feeds the conflict, President Alvaro Uribe needs to strengthen the export sector to ensure Colombia's long-term solvency.

To support this goal, Colombian Vice Minister of International Commerce Juan Ricardo Ortega said the country must keep a mechanism in place that protects farmers from price distortions resulting from the subsidies that the United States gives its farmers.

"The discussions (in Guayaquil), will be centered on this and there is going to be a lot of tough talk," he said.

Stiglitz, who won the 2001 Nobel Prize for economics, calls Colombia's tariff mechanism a "thoughtful" way of protecting the otherwise vulnerable farmers.

"The ironic thing is that the United States has a price stabilization scheme for our rich farmers," he said. "Our farmers don't need it. Colombian farmers do."

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