Colombian Farmers Fear Cheap US Imports

New Trade Deal With U.S. Has Colombian Farmers Worried About a Flood of Cheap Imports From America

By Joshua Goodman | April 26, 2006

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ESPINAL, Colombia -- For 25 years, Victor Murillo has grown rice on a five-acre (2-hectare) plot in Colombia's central farm belt. But with a new trade pact with the United States threatening his livelihood, he's tempted to switch to a new crop: the tall, stalky coca plant that yields cocaine.

"What choice do you have when everything you worked hard to build is destroyed overnight," the 50-year-old farmer says as he oversees the harvest of one of his fields.

The bilateral trade deal would be Washington's biggest in the Western Hemisphere since the North American Free Trade Agreement (NAFTA) in 1994. The agreement's text has yet to be made public, though it was signed in February, and must be approved by each country's legislature before it takes effect next year.

Similar to eight other U.S. trade deals in the region, the pact provides immediate duty-free access to all but a fraction of the $14.3 billion (euro11.51 billion) in goods traded each year between the United States and Colombia.

President Alvaro Uribe, Washington's staunchest South American ally, claims the pact will boost Colombia's exports by 10 percent, usher in a foreign investment bonanza and create 380,000 new jobs -- all within a few years.

But even if those optimistic targets are met, not all the benefits will be shared equally. The same is true for the U.S.-Peru trade pact signed this month and for those Washington has reached with Chile, Costa Rica, El Salvador, Nicaragua, Honduras, Guatemala and the Dominican Republic.

Colombia's 28,000 rice growers -- as well as corn, cereal and poultry farmers -- say the trade pact threatens to put them out of business for good.

That's because, like farmers everywhere, many struggle to eke out an existence while their U.S. counterparts receive generous government subsidies.

To lessen the impact, trade barriers for sensitive agricultural goods will be removed gradually over a period of 12-19 years. Nevertheless, in the first year Colombians must import a 87,000-ton quota of U.S. white rice -- representing nearly 6 percent of Colombia's annual production -- and the quota increases by 4.5 percent every year thereafter.

In the short term, a feared flood of cheap imports could depress the price Colombian farmers get for their rice by as much as 30 percent, says Rafael Hernandez, general manager of Fedearroz, the country's rice growers association.

But a bigger concern is what happens if farmers, unable to compete, turn to illegal crops like coca or poppy, the base ingredient of heroin.

Especially in the central, rice-growing province of Meta, where coca and rice grow almost side by side, "if the government doesn't help farmers, the drug traffickers will," said Hernandez.

Colombian negotiators used the same argument at the bargaining table to win concessions from their U.S. counterparts.

Specifically, they wanted the Bush administration to pony up additional funds for alternative economic development programs that currently comprise about 20 percent of the $700 million (euro563.4 million) the country receives each year as part of Plan Colombia, as the bilateral anti-narcotics effort is known.

But each time the issue was floated the answer was the same: business is business.

"It didn't matter that Colombia is the world's biggest producer of cocaine," said Carlos Gustavo Cano, who participated in early rounds of talks as Uribe's agricultural minister. Rather than sign off on an accord they considered one-sided, Cano and four other Colombian negotiators resigned last year.

"There were red lines I was not prepared to cross," said Cano, now a board member of Colombia's central bank.

Ironically, Colombia already enjoyed low-tariff access to the U.S. market under the Andean Trade Preferences and Drug Eradication Act. But those preferences are set to expire on Dec. 31 and the U.S. government, increasing its leverage during free trade talks, announced they wouldn't be renewed.

Uribe, who faces re-election May 28, has been touting the agreement as a major foreign policy achievement.

But Cano, who considers himself a free trader, said the rush to sign an agreement was a "grave error." His concern has been echoed by poverty relief advocates and several economists, among them Nobel Prize-winner Joseph Stiglitz.

The concern is that by liberalizing trade, Colombia could see a repeat of the 1990's, when coca production skyrocketed.

Although a direct link is hard to prove, the opening up of the state-heavy economy last decade, which was blamed for leaving hundreds of thousands of rural workers unemployed, coincided with a tripling in coca production.

"Every time the agricultural sector has been weakened, the cultivation of illegal crops has strengthened," said Cano.

Others doubt such doomsday scenarios.

Sectors like the low-cost textile industry stand to make gains that could allow them to catch up with Mexican exporters with whom, before NAFTA, they competed head-on.

"Some industries will have a difficult time adjusting but the net effect will be more jobs, more investment and more economic growth -- otherwise we wouldn't have sought a deal in the first place," said Hernando Gomez, Colombia's chief trade negotiator.

Still, there's little denying that at the heart of Colombia's drug problem is its huge mass of unemployed and poor peasantry.

Gomez, echoing the claims of U.S. trade negotiations, says rural workers should see benefits in the form of lower prices for foodstuffs, machinery that increases crop yields as well as the opportunity to export high-margin crops like mangos and other exotic fruits. To facilitate the conversion, the government plans to provide subsidized loans to farmers.

The loans would come in a farm bill that's yet to be introduced and would be worth about $220 million (euro177 million) a year, according to Gomez. That's a pittance compared to the $17 billion (euro13.68 billion) that U.S. producers receive annually in government subsidies, an asymmetry that will be locked in as a result of the accord.

And even the agreement's promoters acknowledge that Colombia will have to be a prodigious administrator of those limited funds to fulfill Uribe's lofty expectations.

"Free trade is no panacea -- for Colombia to fully benefit from this deal it will need to accompany the agreement with sound economic policies that boost competitiveness," said Jeffrey Schott, senior fellow at Washington's Institute for International Economics.