TRADE:

US Deal Menaces Central American Farmers - Report

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WASHINGTON, Nov 16 (IPS) - A pending trade deal between the United States and Central American countries could force the collapse of rice production in those six developing nations and put thousands of farmers out of business, a leading development agency warned Tuesday.

The Central American Free Trade Agreement (CAFTA) is expected to pass a vote in the U.S. Congress in coming months. The deal ties the Dominican Republic and five Central American nations -- Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua -- to the United States.

Oxfam America said in its report the deal, which will force an end to import tariffs erected by the Central American countries while allowing the United States to maintain hefty financing of its system of internal supports and export credits, will open the doors to a flood of lavishly-subsidised U.S. rice exports.

In the 60 page document, Oxfam points to the trade liberalisation experience of Honduras in the 1990s, when the country opted to rapidly reduce protections for its rice producers, only to be snowed under by cheap U.S. imports, eventually leading to the near collapse of the country's rice production.

The Honduran government made the move to compensate for shortages caused by a drought. In just a few months it imported a quantity of rice equal to the nation's annual consumption, leaving producers without a market at harvest time.

Within 10 years, national rice production dropped by 86 per cent, and the number of producers fell from 25,000 to fewer than 2,000, according to Oxfam.

The group says it fears a repetition in the CAFTA countries as well as the Dominican Republic (DR).

The report, 'A Raw Deal For Rice Under DR-CAFTA', quotes farmers in Honduras complaining about the effects of U.S. exports on their production.

”Sinking rice prices (paid to farmers) due to massive imports from the United States had a terrible impact on us: it was like Hurricane Mitch,” said Maria Angeles Amaya, a farmer from Santa Cruz de Yojoa. ”My husband had to go to the United States for years (to work), and we survived with the money he sent.”

Oxfam estimates that the U.S. rice industry receives more than one billion dollars in government subsidies annually, an amount greater than Nicaragua's entire national budget.

In 2003, it says, U.S. rice producers enjoyed subsidies and supports worth 1.3 billion dollars, far more than the U.S. crop's total value, which in 2002 was estimated at 844 million dollars, according to the group.

”These excessive levels of support allow large U.S. companies to dump rice on international markets,” says the report.

”Under these conditions, the claim that DR-CAFTA will establish fair and equitable rules for all rice producers is very far from reality. Instead, it will open borders to the dumping of U.S. rice.”

According to a fact sheet from the U.S. Trade Representative (USTR) website, CAFTA promises and demands more ”economic reform in Central America.”

The USTR paper claims that reform has already helped to raise incomes and fight poverty. For example, per capita income in El Salvador grew 10 times faster in the 1990s than in the 1980s because the country worked to tackle inflation, cut spending, crack down on corruption, privatise inefficient state-run businesses, and open the country to trade, according to the office.

No one from the USTR was available for an interview with IPS on Tuesday.

The DR-CAFTA nations are already a key export market for important U.S. manufactured goods, such as information technology products, agricultural and construction equipment, paper products, chemicals and medical and scientific equipment.

Under CAFTA one-half of current U.S. farm exports to the area will become duty-free, including some beef, cotton, wheat, soybeans, key fruits and vegetables, processed food products and wine.

”Small-scale bean, milk and meat producers face an uncertain future in light of the imminent flood of unfair imports,” says the report.

Oxfam points out that six U.S. states produce nearly all rice grown in the United States: Arkansas, California, Louisiana, Mississippi, Missouri and Texas.

”What we are saying is that the U.S. support programme, the U.S. subsidies, need to be reformed and that until that happens, there will continue to be export dumping from the U.S.,” Stephanie Weinberg, trade policy advisor at Oxfam, told IPS.

”As long as this situation continues, the Central American countries cannot trade with the U.S. on a level playing field.”

Weinberg, who says trade has the potential to cut poverty in developing countries, added that DR-CAFTA would be a serious blow to Central America's small agricultural producers, especially in rural areas where 60 percent of poor people are concentrated.

”DR-CAFTA is a bad deal for countries in the region as long as it exposes farmers to unfair competition from subsidised U.S. exports and denies them the right to protect themselves from such export dumping,” she said.

Oxfam, an international anti-poverty organisation, forecasts that CAFTA will ruin the region's rice industry, putting some 1.5 million jobs at risk, including those of an estimated 80,000 rice producers in Central America and the Dominican Republic.

In those countries, approximately 75 per cent of rice producers are small-scale farmers.

Sentiment against U.S. farm subsides has been on the rise, especially in Latin American nations. In Cancun, Mexico last year, some 22 developing nations banded together to stop multilateral trade talks to protest the failure of rich nations, especially the United States, to knock down their hefty subsidies to their farmers.

Brazilian rice farmers are reportedly gearing up to challenge U.S. subsidies before the World Trade Organisation (WTO), in the wake of recent success the country's cotton producers had in challenging U.S. farm subsidies.

Countries in Latin America have complained that between 1999 and 2002, Washington paid subsidies totalling 5.8 billion dollars to rice producers. More than 40 percent of U.S. rice is routinely exported.

Opposition to U.S. moves is growing as Washington has embarked on an ambitious trade agenda throughout the world. For example, it is negotiating free trade agreements (FTAs) with the Southern African Customs Union (South Africa, Botswana, Namibia, Lesotho and Swaziland).

U.S. officials are also trying to set up a Middle East Free Trade Area (MEFTA) to compliment bilateral trade deals with Israel, Jordan, Morocco and Bahrain. On Monday, the USTR said Washington will begin talks with the United Arab Emirates and Oman on free trade agreements.

Washington has also announced it intends to begin discussions with Thailand, Colombia, Peru, Ecuador, Bolivia and Panama.

Talks on a hemispheric-wide Free Trade Area of the Americas (FTAA) stalled after the latest meeting November 2003 in Miami, particularly over U.S. refusal to end support to its farmers. (END/2004)