

## Global Journalist: Fair Trade and Subsidizing Rich Farmers

**Abstract:** On this Sept. 11, 2003 program interviewees discussed how subsidizing farmers in rich countries is affecting the developing world. Are small holder farmers benefiting from the subsidy? What would be the solution to a fair trade for small holder farmers all over the world?

**Host:** [Betty Winfield](#)

### Guests:

- [Claudio Tognoli](#)
- [Sonja Hillgren](#)
- [Tim Colebatch](#)
- [Elizabeth Becker](#)

**Producers:** Sara Andrea Fajardo, Radha Ravi (?), and Un Teck Han (ph?)

**Directors:** [Pat Akers](#)

**Mentioned:** Agricultural trade, Protected tariff, WTO, ICIJ, developing world, protectionist tariff, Luiz Inácio Lula da Silva, Bush, farming, small holder farmers.

**Runtime:** 28:30

**Speakers:** Betty Winfield, Claudio Tognoli, Elizabeth Becker, Tim Colebatch, Sonja Hillgren

### **Betty Winfield** 00:03

Welcome to Global Journalist on KBIA. This is a program that says mid Missourians are interested in international news. And I'm Betty Winfield of the Missouri School of Journalism. And I'm sitting in this evening from my colleague, Stuart Loory. Today in the midst of the US 9/11 anniversary services, in the midst of the President's request for more funding for the war in Iraq, and indeed, in the midst of his call for expanded powers under the Patriot Act is announced yesterday. The long-term effects of another event are taking place in the world. The fifth World Trade Organization conference began yesterday in Cancun, Mexico. Trade ministers around the world begin deciding which subsidies the wealthiest nation should cut back in order to lessen trade damages on farmers in the developing parts of the world, tonight we will be listening to what journalists are saying about the World Trade Organization topic of agricultural trade, about particular subsidies and protective tariffs. With us tonight are Claudio Tognoli, an environmental reporter from Jovem Pan radio in San Paulo, Brazil. Claudio is a member of the International Consortium of Investigative Journalists. Also joining us is Sonja Hillgren, editor of the U.S. Farm Journal out of Philadelphia. Tim Colebatch from another part of the world is with us, he's the economic editor of The Age, an Australian newspaper. And Elizabeth Becker, trade correspondent for The New York Times also joins us. The issues are how to keep farm subsidies from the world's wealthiest nations, which create cheaper imports, from inflicting the livelihoods of farmers in the developing parts of the world. In other words, how to create a fairer and more balanced marketplace. A second major issue is would not be just the subsidies, but the protectionist tariffs. And so both Tim and

Elizabeth are now in Cancun. Let's see what's happening right now with these two issues, have farm subsidies come up yet the tariffs been mentioned? Tim, you want to start?

**Tim Colebatch** 02:28

All right. Well, the meeting is taking place in five working groups basically, of which agricultural issues are one. At the moment what happens to say they appoint a facilitator, one senior minister that the chairman trusts, who in this case is from Singapore, a great country to have as a facilitator because Singapore has no agriculture. So, it's quite neutral and it's his job, Giorgio is his name. He's a former Brigadier General in the Singapore army and it's his job to try and bring together the different positions of the countries into one coherent text that they can agree on at the end of the day, that text is not going to spell out exactly how much they're going to cut subsidies, tariffs and export subsidies by, but it will spell out the way in which they propose to do it. And that in itself will give some sort of benchmarks as to how much the actual outcome cuts farm protection.

**Betty Winfield** 03:30

All right, Elizabeth do you have anything to add to that?

**Elizabeth Becker** 03:33

Well, the agriculture is the predominant issue and the first day yesterday, both inside and outside of the meeting halls, that's what was on everybody's minds. Outside of thousands of farmers went by, local Mexican farmers, have what was mostly a peaceful demonstration until a couple dozen went through the barricade about five miles away from here and then a Korean farmer, 56 year old Korean farmer committed suicide, just to show that this is such a question of life and death for so many people so that obviously had an effect on people inside. And then secondly, another interesting thing that happened is that a group of developing countries, they started out 17 when they were in Geneva, now they've reached 21, have come up with their own agricultural position and sort of laid down their marker saying, we would like our position to begin in the same weight as the main chairman's text. And this is what Tim was talking about. This will this will be part of the meeting today, but it was done in such a way to say listen, the developing countries are a block on their own from now on in this issue, and they want to be they want to make sure that they are heard and since they represent over half of the world's populations and farmers, I think they're trying to make their point with just simply the massiveness of who they represent.

**Betty Winfield** 05:12

That's interesting and terrible about the suicide. Claudio, you're from the world's fifth largest population and I noticed last June when I was in Brazil, I noticed a country struggling economically. How do these farm issues impact Brazil?

**Claudio Tognoli** 05:29

Yeah, we have some huge numbers about it. For you to have an idea, the zeal is not explored \$15 billion per year thanks to the aid that the US government gives its farmers. We have an average of farm exporting fifty percent of our capability thanks to this aid that that US government give its farmers. We have our numbers for you to have an idea, the commercial barriers against Brazil it puts a tax in places

for instance for orange juice a tax of 56%, the tax over the sugar 10.1%, tobacco have big barriers too, it's about 108%.

**Betty Winfield** 06:48

These are these are protective tariffs coming in to the US? I just want that to make clear.

**Claudio Tognoli** 06:55

Steel markets we have a tax of 142% over our still and another issues like meat, we have restrictions against Brazilian meat. So, all this tax and restrictions, they are making a very dark scenario here in a country which has 40 million people in absolutely starvation. So, the only way to Brazil survive in this scenario is take some strategy to make a reduction in this taxes and barriers mostly from the United States.

**Betty Winfield** 08:00

Okay, so as I understand it, it's a protective tariff that is keeping the products from Brazil from being imported into the United States because of the established quotas in this country. Is that correct?

**Claudio Tognoli** 08:14

Yeah.

**Betty Winfield** 08:15

I see. What about are there farm subsidies in Brazil at all?

**Claudio Tognoli** 08:23

What we have in here now, the subsidies in by Brazilian government, they are not there to do, for you to have an idea of subsidies that big countries, richer countries they give for a year for their farmers for instance, is about 360 billion dollars, almost more than then one billion dollars per day. How can this plenty countries that make this cheap developing countries, how can we put all together 20 countries, 360 billion dollars in subsidies per year? It's impossible. So, what we have here, I see it's a silent war. And I think it's a brilliant idea for you to make a discussion over this matter. Because we have a silent war that is not in the press. So, I have to thank our friend that is now with us from the New York Times that made that brilliant story these days. Because is the way to show the world how we have people, politicians shaking hands in the meetings as awful room, any in the back door to the backstage they are making a big war, silent war that involve starvation of people at all.

**Betty Winfield** 10:19

I wonder if we could have Sonja respond to this because as editor of the US Farm Journal, what are US farmers, how are they responding to this?

**Sonya Hill Green** 10:30

Well, US farmers have been under a lot of financial pressure in recent years. And, you know, the subsidies in the market access issues are very important. And that's what's at the top of everyone's mind at the moment, but in fact, there's been, you know, a multi century, probably 500 year decline in commodity prices. You know, everything goes down. Technology has reduced the prices of

commodities around the world. And so that's the context. And so subsidies are one factor, but not the only factor. And U.S. farmers have been getting larger and larger, and facing more and more risk because the prices of the commodities have declined. They were looking at lower subsidies, because certainly after the Uruguay Round, the subsidy trend had declined. And then the value of the dollar went up dramatically in the late 90s. And so unfortunately, the subsidy trend changed. And then to make things even more difficult, in order to get a trade deal through Congress, you need the support of American farmers because they have been one of the strongest supporters of global trade policies into politically. So, you really have a difficult situation of lower profit margin, farmers who don't want to subsidies, farmers that worry that the value of their land will go down that their slim margins won't be great enough. So, we really have a very, very difficult situation on both sides of this issue on all sides of this issue. There's so many of them.

**Betty Winfield** 12:14

Last year, President Bush signed into law a new farm policy that increases the subsidies by 40 billion a year. Does that go to all American farmers or just the largest or what is the story on that?

**Sonja Hillgren** 12:29

Well, it really goes to a very small percentage of farmers because the big farms are getting bigger. And so that you have, you know, 65% of the subsidies going to 10% of the farmers, but those 10% are producing a very, very high percentage of the agricultural production. But they it's so interwoven with the economy, that they are renting a lot of land. And so that money goes to people who own the land and they're retired farmers or they're widows or they're wealthy people who own the land, but but you've got local tax rolls that are dependent on this and you got banking systems. So, unfortunately, it is intertwined throughout the economy.

**Betty Winfield** 13:22

Why don't we take a short break here, we will just stop and come back to agribusiness, and a few minutes. This is Global Journalist on KBIA and I'm Betty Winfield of the Missouri School of Journalism. Welcome back to Global Journalist, you may listen to this KBIA program again, and or ask questions or make comments yourself by going to [www.globaljournalist.org](http://www.globaljournalist.org) or by calling 573-882-9641. Let's go back to agribusiness. Elizabeth Becker, as Claudio mentioned, wrote this brilliant article in The New York Times it was on Tuesday, I'm sure our listeners can access it via the web. And the connections between agribusiness and campaign donations, some 53 million by the way, I understand. I wonder if you could, you could really talk about that. Because you gave such a great explanatory story, Elizabeth, how have these subsidies affected not just the farmer but the consumer here in them in the United States?

**Elizabeth Becker** 14:40

Well, thank you for the nice words about the article. What we're getting down to now is a question is what are the what is the purpose of the subsidies? And what I tried to show is that this is this is sort of free money. It's it was started the whole purpose was during the depression when the United States really did need to support their farmers. Food was lacking, it was a very difficult time, now it's it's we're on the other end of the scale, we were producing way more food. One out of every three acres is planted for export. And the question now that's being faced in the United States, but also here in

Cancun is what is the purpose of subsidy and its associates? So, you mentioned you know, from the farmers' point of view, this is the this should be considered just part of the farmers lifestyle, but others say why should this be the one sector with with welfare, welfare kind of payments? And yes, as these subsidies they are allowing the larger farms to have the money to buy up their smaller neighbors and their income levels are, climbing up as well. So, this is it's these are these are people's on the whole, I believe the figure was something like 150,000 annual income, which is not difficult to live on. And they are becoming bigger and bigger and at the same time, roughly from the mid 90s until now, they have been voting more and more, their whole their whole agribusiness is looking more and more with the Republican Party. And those are what are known as the red states when we were looking at the election results in the last presidential election. And President Bush got the red states. So, when the 2002 farm bill was signed in this was, it was not a surprise to a lot of political observers because he said people are most supported the president. And so every business has gone from roughly giving half of their campaign money to the Democrats and Republicans to giving the real majority to the republicans as they are also increasing those funds. So, that's, you know, that's one of those things that's happened. And so the purpose of the subsidy is what we're really talking about. And it's the purpose is to continue with this export economy, then that's what here in Cancun is saying, I'm sorry, but that's unfair trade. If you want to be a trading nation, you should not be subsidizing it and Europe is getting criticized for different kinds of subsidy in the sense they they subsidize the actual export of the product. And they have they're trying to come anger here by saying that they will eliminate some of those subsidies. But that's the whole question here. If you are going to be a trading nation, if you have such subsidies I believe Tim's country Australia has gone through all this before and then they're an interesting example what happens when you cut those subsidies?

**Betty Winfield** 17:50

Tim, why don't you bring us up to date with the Australian farmers and the trade issues agriculture, big political power there, do you have protectionists tariff's against wine imports and beef and so forth. What's happening?

**Tim Colebatch** 18:04

Now we have virtually no tariffs on agriculture in Australia, Australia and New Zealand as always at the scissor are the exceptions who have basically gone to genuinely introducing free markets in in farming. And even the last vestiges of tariffs have been removed now with sugar entering Australia completely tariff free. It's certainly had the effect of shaking out the small farmers, Australia had almost twice as many farmers when I was a boy as it has now. And as in the States, the farms have got bigger. In our case, there's never been any equal equivocation about time as political loyalties have always been to the liberal and party in the National Party its ally, which is equivalent to the republican so that that's that's no particular surprise. But I think it what it shows is, as I say, we have lost a lot of small farmers when you take away the subsidies, propping them up. But at the same time you get a very efficient agriculture Australia produces some of the cheapest meat, wheat, wool, dairy products, that sugar too, for that matter, anywhere in the world. And that's partly because farmers have been forced to try and make economies and operate without subsidies. What's particularly egregious I think about the American subsidizes that, as Elizabeth says, I don't actually work for the purpose that they're intended to that that if 65% is going to 10% of farmers, then clearly that's not really helping the small farmer that's helping the big farmer. And it's a similar story in Europe, we mustn't forget this is not the United

States is one of the smaller players relative to European Union, or Japan or far worse still the rich countries outside the EU like Switzerland and Norway, which has extraordinary high subsidies were on OECD calculations. As much as 70% of farm income derived from government support of one kind or another, either subsidies or tariff protection forcing up the price of inputs.

**Betty Winfield** 20:29

Claudio, Brazil produces the actually the world's largest producer of ethanol. How is that playing out in this because they convert over half their sugar to a type of fuel, certainly cheaper than the corn base fuel produced here in the US. Is that is that a good export and what's going on with that?

**Claudio Tognolli** 20:52

Yeah, Brazil and with Cuba. For instance, export 23 almost 30,000 tons, the world mostly to Europe. And the tax over the sugar is about 19%. If you export more than these 30,000 tons, you have an additional fee with which goes to almost 70%. So, we here in Brazil, we have a very complicated situation because everybody knows that by the end of the century we will be the biggest producer of agricultural goods in the world and how can a country that, will be a big country in this matter it suffers from for. I will repeat we have 40 million people starving. How can we have such production with 40 million people starving? So, it doesn't matter if we are about to be the biggest leaders in sugar inside etc. We don't have a structure to put the things going on. We don't have the ways to roll the dice. I think that's the main pledge that our President Luiz Inácio Lula da Silva is taking to Mr. Bush and politically thinking, I don't expect any help from Republican people. We from Brazil, we do not expect generally some help, like we had from Democrats. So, as I told you, generally, we see this matter as a big war, and I would like to have your permission to take a few seconds to explain an economic theory that I think explains the situation at all. I will explain it in few seconds. Kondratiev was a big economist from Soviet Union. And this comes right after the break He made a big theory about crashes in economy. It says each 70 years, we have a deep crack in world economy. And very simple to understand and a very important key to understand this crisis that is generating this meeting in Cancun.

**Betty Winfield** 24:26

Do you think, yeah, do you have a hope for this? I mean, with this with hearing these very difficult issues of American farmers trying to make a living, large farmers versus small farmers in this country, and then tariffs and subsidies, keeping the economies from going as well as they could like in countries like Brazil, is there some solution that you can think of, I mean, we have very, very difficult situations at play here?

**Claudio Tognolli** 25:00

Yes, I see as I was telling you, if you take, I tried to see by the glasses of Kondratiev. Kondratiev says, when you have a new technology introduces in the market, you have crisis, because you this new technology, it shorts the time of production and when you have more production, you have to have more markets, to sell this production. So, when he has pleased the introduction of steam power, we had the wars in freedom of USA Napoleonic wars and freedom of Brazil. When you have several years before after rough chemistry, we had the First World War when he had flood these men, we had Second World War and now according to this, waves cycles, we are having another crisis. They

describe this comes from biotechnology, hardware and fine chemistry. So, we had a reduction in time of production of goods. So, we have to have more markets. The solution is, I am a kind of dreamer when I say that you take up the last book from Aldous Huxley and he was saying something like the world government, I think the solution will be something like world government.

**Betty Winfield** 26:40

Okay, let's see if some other people see if they have a solution for this because we're just about to run out of time and, and in is there maybe there isn't a solution. We do have people a moderator from Singapore trying to meet and come up with some kind of working paper on this. Tim, do you see a solution?

**Tim Colebatch** 26:59

Well, this is world government I guess, this is the closest thing we have to it? I don't think it's going to come to sleep. I've got to say, I think there's some movements there's no doubt that if you look at some fan protectionist as Elizabeth said, it had come down in the US. It's certainly come down in Europe, although still larger than here. And it's even come down slightly in Japan, but it needs to come down at a much greater pace.

**Betty Winfield** 27:30

Okay, we're gonna have to move on, I'm sorry, we're gonna have to move on because we are running out of time. This is a very complicated issue, and I wish we had a lot more time to discuss it because obviously it needs a lot more time of discussion and we're out of time. We thank our guests this evening, Claudio Tognolli from Brazil's Jovem Pan radio, Sonja Hillgren, editor of American Farm Journal, Tim Colebatch from Australian newspaper The Age and Elizabeth Becker from the New York Times in Cancun. Our KBIA director is Pat Akers. Our producers are Sara Andrea Fajardo, Radha Ravi (ph?), and Un Teck Han (ph?) and I'm Betty Winfield. Global Journalist will be back next week at the same time. Good night and good luck.