INSTITUTE FOR AGRICULTURE AND TRADE POLICY
COMMENTARY

The U.S.-Colombia trade agreement: A volatile agenda on agriculture

WASHINGTON, D.C., APRIL 14, 2011 — The new Obama trade policy, as embodied in its free-trade agreement with Colombia, sadly resembles the old Bush trade policy: promoting growth in exports and investment at the expense of local economies and resilient food systems. This is unfortunate, not only because it fails to deliver Obama's promised "21st-century" trade agenda, but also because it ignores some of the key lessons from NAFTA and the 2008 food-price crisis. Globalization has tied our economies together so that price changes in one country transmit around the world, increasing hunger and undermining efforts to rebuild rural communities and resilient food systems.

For decades, the primary problem for agriculture had been low prices, stimulated by U.S. and European agricultural policies that compelled farmers to continue to produce more and more to make up in volume what was lost in falling prices, and to seek ever expanding markets, whether at home or abroad. Cheap imports flooded the markets of developing countries, devastating small-scale farmers in poor countries while failing to stabilize farm incomes in the U.S. and Europe.

Trade policy is not neutral; it is a specific set of rules, embodied in agreements that tend to favor specific actors. Rather than learning the lessons of the 2008 food-price crisis, that governments need the ability to shield key markets from extremes so they can rebuild food systems, the rules in the Obama administration's first two trade agreements proudly replicate the 20th-century model. White House fact sheets on the U.S.-Colombia Trade Promotion Agreement proclaim that the trade deal:

> Immediately eliminates duties on almost 70 percent of U.S. farm exports including wheat, barley, soybeans, soybean meal and flour, high-quality beef, bacon, almost all fruit and vegetable products, peanuts, whey, cotton, and the vast majority of processed products.

Like NAFTA, the Colombia agreement would subject local farmers to immediate competition from U.S. exports on a broad range of products. While prices are high for now, many Colombian farmers will find it difficult to compete with goods whose prices can vary so dramatically. As in Mexico under NAFTA, tariffs on corn and a few other sensitive

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About IATP

Institute for Agriculture and Trade Policy works locally and globally at the intersection of policy and practice to ensure fair and sustainable food, farm and trade systems. IATP is headquartered in Minneapolis, Minnesota with offices in Washington D.C. and Geneva.

products will be phased out over a longer period (although the agreement does allow countries to speed up that transition). The Mexican experience—in which more than 2 million farmers have been displaced from agriculture—shows that even a long transition may be inadequate when no real alternatives for rural employment exist. Many of those farmers were compelled to migrate to urban areas or the United States to find work.

The White House fact sheet also boasts that the agreement:

> Immediately eliminates Colombia's use of Andean Price Bands (variable tariffs), thereby ensuring that Colombia stops applying high duties under this mechanism.

Colombia and other Andean countries have utilized price bands to stabilize prices. When prices are high, tariffs remain low, and when prices drop, tariffs are raised temporarily to stabilize prices. This is similar to the Special Safeguard Mechanism, one of the central proposals made by developing countries in the WTO talks to protect food security and rural livelihoods, a proposal resisted by the U.S. government since the Bush administration. Its removal could undermine Colombian farmers, as well as contribute to rising food-price volatility in other Andean countries.

While Article 2.18 of the Colombia FTA allows for temporary safeguards, they can only be triggered by sudden increases in the quantity of goods, not volatility in prices. Those safeguards could only be applied to goods not already subject to duty-free treatment. That provision also specifies that any safeguard mechanisms agreed to at the WTO would not apply to goods from parties in this agreement.

In describing "Trade and the U.S.-Colombia Partnership," the administration cites the Colombian government's proposals to restore land to those displaced by civil conflicts. Whatever the merits may be of that program, there is no assurance that farmers facing competition from exports, or new investments facilitated by expanded trade, would be able to stay on their land. ActionAid Guatemala has documented numerous cases of Guatemalan farmers pressured by palm oil and sugar producers to sell their land to make way for industrial-scale monocrop production. Many of these farmers had been granted titles in the wake of that country's civil war, only to lose them again when inadequate access to credit and other inputs made it impossible for them to earn a living. Deregulation of financial services provided for in the new trade deal could reduce available farm credit. The U.S.-Colombia accord replicates most of the investment and financial services provisions in NAFTA and CAFTA.

The lessons of this export-led model are not encouraging for U.S. farmers either. Despite rising agricultural exports, the number of small but commercially viable farms has dropped by 40 percent in the last 25 years. Very small farms serving local markets (and relying on off-farm income), and very large farms, have increased substantially. In a new report, Tim Wise documents shrinking farm incomes among small-to medium-scale farms, as "Expenses have risen to gobble up higher sales revenues, and government payments have declined because some are triggered by lower prices. With the recession, off-farm income has declined dramatically, leaving family farm households worse off than they were earlier when crop prices were low."

U.S. farmers, like their Colombian counterparts, need reliable public support and consistent market signals so that they can invest in local, regional and national food production to feed their communities and their nations. Trade should supplement local food systems, not seek to replace them. The U.S.-Colombia Trade Promotion Agreement will leave farmers and consumers at the mercy of volatile prices and markets rather than learning from the very real experiences of very recent history to build a new approach that ensures fair, healthy and resilient food systems for all. We're still waiting for a 21st-century trade policy.

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