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May 10 "Deal" Does not Alter Peru and Panama FTA NAFTA-style Agriculture Rules that Promote Hunger, Destruction of *Legal* Rural Livelihoods and Displacement

The Peru and Panama FTA agriculture provisions are almost identical to those in NAFTA, which resulted in the destruction of 1.3 million Mexican peasant farmers' livelihoods *and* a 60 percent jump in immigration.

The agricultural provisions in both the Peru and Panama "free trade agreements" (FTA) are nearly identical to those in the North American Free Trade Agreement (NAFTA). The agreements remove tariffs on U.S. imports and forbid various price ceilings on staple foods and price floors for farmers, but do not discipline U.S. subsidies – meaning they would cause enormous distortions and disruption to the farm and food systems in Peru and Panama, where millions live as subsistence farmers. Under NAFTA, the same package of policies led to 1.3 million Mexican peasant farmers losing their livelihoods as subsidized U.S. food imports flooded the market.[1] While the price paid to Mexican corn farmers fell by about half following NAFTA, the deregulated retail price of tortillas shot up hundreds of percentage points over the pact's first five years.[2] Mexico negotiated 10- or 15- year tariff phase-outs for staple foods (similar to Peru, which negotiated 10- to 17- year tariff phase-outs, and Panama, which negotiated 9- to 19-year phase-outs), but after NAFTA passed, U.S. agribusiness giants began pressuring for and obtained accelerated Mexican tariff cuts over three years.

Prior to NAFTA, 36 percent of Mexico's rural population earned less than the minimum needed for food, a number that grew by nearly 50 percent in the agreement's first four years. The percentage of the population in this state of poverty in Mexico today remains roughly where it was before NAFTA despite the promised made by the pact's proponents,[3] while income growth that could help accelerate reductions in poverty has been practically non-existent over the post-NAFTA period.[4] Indeed, economists at the Inter-American Development Bank (IDB) estimate that the Peru FTA's agricultural provisions will displace significant numbers of *campesino* farmers by eliminating an array of programs that regulate staple food markets for rice and other foods and provide low-interest credit and other supports.[5] Consumer, *campesino* and anti-hunger groups, such as Oxfam – which hosted hundreds of congressional letter-writing house parties against the Peru and Panama FTAs – agree that these FTAs can be foreseen to *increase* hunger among the poorest residents in these countries.

Rural displacement from the Peru and Panama FTAs would threaten U.S. security and drug policies and increase desperate migration.

If the FTAs destroy the legal economic opportunities for peasant farmers in our developing country trade partners, NAFTA shows that the result will be an increase in the growing of illegal drug crops and desperate migration. Local leaders are concerned that massive social upheaval from the deal could lead to serious security concerns. Monsignor Pedro Barreto, the Catholic Archbishop of the Andean highland city of Huancayo, noted: “We’re fairly certain that [the trade agreement] will increase the cultivation of coca, which brings along with it a series of negative consequences such as drug trafficking, terrorism and increasing violence.”[6]

The United States pushed the same reckless agricultural provisions on Colombia in the Colombia-U.S. FTA. The Colombian Ministry of Agriculture that argued that without proper agricultural protections, rural problems could worsen and many rural Colombians “would have no more than three options: migration to the cities or to other countries (especially the United States), working in drug cultivation zones, or affiliating with illegal armed groups.”[7] This concern was echoed by U.S. experts as well; for example, Nobel Prize-winning economist Joseph Stiglitz noted that these agricultural provisions will mean “there will be more violence and the U.S. will have to spend more on coca eradication.”[8] The editorial board of the *Washington Post* warned in February 2006 that the “rural dislocation that would follow from ending all protection for Colombian farmers could undermine the government’s efforts to pacify the countryside. If farmers can’t grow rice, they are more likely to grow coca.”[9]

Yet the concern about the security implications of the deal were dismissed by the Bush administration and its allies in Congress, and Peru and Colombia were pressured to agree to agricultural rules that will clearly cause increasing drug production, violence and unrest in the region – problems that could spill over into the United States. A precedent exists: according the U.S. Customs and Border Protection Office, the amount of marijuana seized annually along the Mexican border has doubled to 1.1 million pounds since 1994, the year NAFTA took effect, a fact tied directly to the agricultural rules in NAFTA.[10] The number of annual immigrants from Mexico surged from 332,000 in 1993 (the year before NAFTA went into effect) to 530,000 in 2000 – a 60 percent increase over the period.[11]

Food security and hunger would worsen under the proposed Peru and Panama FTAs.

In Peru, agriculture remains a large source of employment, engaging one in three people among the economically active population. Peruvians depend on food staples such as rice, potatoes and chicken products. There are over 3 million producers of these and other items in Peru.[12] In Panama, despite the fact that 80 percent of national GDP is comprised by the service-sector industry,[13] some 25 percent of the population makes a living through agriculture.[14] Bananas, sugar and melons are major Panamanian exports,[15] while pork, rice and poultry are the most sensitive domestic markets – with the Panamanian rice industry producing 90 percent of domestic demand.[16] If signed, the Peru and Panama FTAs would expose these vulnerable agricultural producers to a flood of subsidized U.S. crops, tempting a repeat of the disastrous NAFTA experience. The FTA rules that would enable subsidized U.S. agricultural exports to enter the region duty-free at prices below their cost of production, resulting in unfair competition, would deprive large numbers of farmers of the means to earn their livelihoods in a region that already suffers high levels of poverty.

Peruvian rural organizations have argued that this massive reorganization of the rural and farm economy will exceed rural communities’ ability to adapt to the changes.[17] These organizations are overwhelmingly opposed to the Peru FTA, based on their observations of Mexico’s experience under NAFTA. According to Food and Agriculture Organization, there are approximately 4.6 million malnourished people living in Peru – nearly 15 percent of the country’s total population.[18] The World Bank indicates that in 2003, some 25 percent of Panamanians were undernourished, up from 17 percent in 1971.[19] In fact, out of 177 countries profiled in the U.N. Human Development Report, Panama's ranks at a lowly 140th,[20] and the Food and Agriculture Organization notes Panama as the Central American nation having the most significant setback in terms of undernourishment since the early 1990s, alongside Guatemala.[21]

The proposed Peru FTA would end the era of Peru's preferences under the Andean Trade Promotion Act (ATPA), and open up the country's vulnerable rural and poor population to competition with the highly subsidized agricultural export product of the United States. The proposed Panama FTA similarly would end Panama's trade preferences under the Caribbean Basin Initiative (CBI). Accelerated trade liberalization and agricultural policies are projected to contribute to worsening problems of food insecurity in Peru and Panama.

High poverty rates, rampant inequality and child labor are also predicted to worsen under the proposed Peru and Panama FTAs.

In Peru and Panama, poverty is concentrated in the rural sector. Young Lives, a project of the U.K. government and Save the Children, estimates that the Peru FTA will cause a welfare loss of almost nine percent among the poorest rural households. Moreover, the Peru FTA could reduce the probability of children attending school in rural areas, and also increase the probability of child labor in local agriculture and informal activities. This is because of the income strain that these families will be under as a result of the FTAs.[22] Similar results can be expected under the Panama FTA.

While nearly half of Peru's 27 million people are poor, the percentage of the population in poverty is much higher in the countryside, at around 65 percent, or 4.6 million out of 7.1 million people.[23] Poverty is also concentrated in the indigenous community, where 70 percent are poor.[24] Similarly, in Panama, despite the country having the highest GDP of any Central American nation, overall poverty approaches 40 percent,[25] with nearly 65 percent of the rural population under the poverty line.[26] Furthermore, a 1999 report indicates that 95 percent of the indigenous community in Panama lives in poverty conditions.[27] In Peru, even the income growth of the last few years – which has only gotten Peruvians back to their income levels of 25 years ago – has not been shared equally across regions. The capital of Lima, which is also the largest population center by far, experienced per person income growth that was nearly twice that experienced by the rest of the country – which is predominantly rural and smaller cities.[28] These inequalities can also be seen in terms of access to health care and other services, with rural areas experiencing rates of exclusion from social services twice as high as the national average.[29]

Dismantling tariffs in poor developing countries while U.S. subsidies and support programs remain unchanged is unfair, and the result is predictable: more poverty and hunger. In both Peru and Panama, a large portion of the population lives in rural areas. Improving the hard lives of Peru and Panama's rural poor should be a goal of a fair trade agreement. Yet, both the Peru and Panama FTAs can be foreseen to make conditions worse, given the record of similar NAFTA agricultural rules, let alone the model's failure to promote economic growth.

ENDNOTES

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