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Farm subsidies here worsen poverty abroad

My View:

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Meeting in Doha four years ago, the World Trade Organization launched an ambitious round of trade negotiations with the lofty goal of expanding trade's circle of benefits to more fully include the world's poor. As business leaders, we believe that enhancing the ability of individuals in developing countries to support themselves and their families helps build a healthy local economy, expands the global economy, strengthens global stability and creates new opportunities for businesses of all sizes, both here and around the world.

Trade ministers from 148 WTO member nations have been meeting in Hong Kong Tuesday through today. No one expects that meeting to produce a detailed draft of the new agreement. What we are looking for is a negotiated breakthrough that will make such a draft a real possibility in the year ahead.

The consultations are extremely complex, involving trade rules for manufactured goods, services, intellectual property, financial transparency and rule of law. But the major sticking point is agriculture; particularly the trade-distorting tariffs and subsidies rich nations use to protect their farmers.

The subsidies under debate total well over \$200 billion annually. The amount is not the issue. If the taxpayers of the rich nations wish to make transfer payments from one segment of their economy to another, that's allowable under WTO rules.

The problem: Because of the manner in which they are currently implemented, those subsidies cost the poor farmers of the world more than \$100 billion in lost income annually. That's roughly double the amount of economic assistance the rich nations provide to the poor each year. Clearly, that assistance could be much more effective if poor countries were able to avail themselves of the economic opportunities afforded by trade.

Subsidies encourage overproduction of certain commodities and then underwrite their sale on the global market at prices below which farmers in South America or Africa can grow a crop. We provide massive financial support to large commercial producers of sugar, corn, cotton and even tobacco each year in the name of protecting the American farmer. By supporting these large commercial farms, which arguably don't need government support, we are depriving poor farmers in developing countries of the opportunity to earn a better life.

The \$14 billion currently used for U.S. subsidies could be used in better ways. We could pay farmers to protect the environment, to combat global warming by sequestering carbon or simply to keep our treasured near-urban countryside bucolic and green.

The benefits of such an approach are huge. American farms can survive and thrive. American consumers can enjoy high-quality, low-cost agricultural produce year-round. And without investing an additional dime on foreign aid, the income of the world's poorest nations could be boosted by more than \$100 billion annually.

Resolving the agricultural issues in the WTO could facilitate early agreement on other rules as well. Economists calculate the potential additional economic growth resulting from that agreement at \$2.8 trillion over the succeeding decade.

More than half of that growth — \$1.4 trillion — will happen in the developing world. The impact could lift

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as many as 2 billion people out of poverty within the next 20 years.

The other \$1.4 trillion goes to support continued economic growth in the developed world.

At the annual Asian Pacific Economic Conference leader's summit in Korea last month, President Bush joined APEC heads of state in urging the need for "definitive success" in Hong Kong. The fact that together the APEC economies account for 47 percent of global trade and 57 percent of the world's gross domestic product and include some of the biggest players in the agricultural debate gives us reason for hope.

We urge the negotiators to never forget that the fate of billions of people living in abject poverty is hanging in the balance of their deliberations. A breakthrough in Hong Kong is the only acceptable outcome.

Solso and Blitzer are members of the Initiative for Global Development, a coalition of business and civic leaders that believes the United States has an unprecedented opportunity to create a safer, more humane and prosperous world for all by eliminating extreme global poverty.