

DEVELOPING COUNTRIES PAY FOR THE SUBSIDIES OF WEALTHY NATIONS

In August 2004, Brazil, Australia, and Thailand struck a major blow against sugar subsidies when the World Trade Organization ruled the European Union's sugar subsidies illegal.¹ The WTO found the subsidies violated global rules designed to prevent distortion of world trade. Whether the EU will comply with the WTO ruling remains to be seen, but the WTO drew attention to the real costs of sugar subsidies - the cost of preventing the world's poorest nations from developing.

The United Nations states that the \$50 billion in assistance to developing nations given every year is rendered meaningless by the \$50 billion in export revenues those poor nations lose every year due to agricultural subsidies like those in the sugar industry.² The U.S. policy does not stop with simply costing countries export earnings. It discourages development by increasing tariffs if sugar is processed, to 20.1 percent on fully processed or refined sugar.³

Take, for example, the African nation of Mozambique. More than seventy percent of its population lives below the poverty line. Eighty-one percent of its workers are in the agricultural sector. As pointed out by the BBC, Mozambique's sugar industry should be one of the world's success stories, with perfect growing conditions and low labor costs.⁴ However, Mozambique must sell its sugar at the world price and cannot benefit from higher prices in the U.S. If Mozambique were able to sell all its sugar in the United States, the increased income would be almost twice what it receives every year in development assistance from the United States.⁵ Mozambique lost export earnings are in fact the equivalent of a third of its development aid since 2002.⁶ Instead of benefiting, growing, and investing in its people because of sugar exports, Mozambique remains among the world's poorest nations, according to the World Bank, with a per capita gross national income of only \$200.⁷

If the United States eliminated its sugar subsidies, world prices would rise and would allow those economies that produce sugar most efficiently to benefit. Their increased export earnings could be used to improve the day-to-day lives of their people, letting countries develop on the basis of their own efforts rather than on the handouts of wealthy nations. With poverty such a major contributor to terrorism - and tens of millions of metric tons of sugar produced in nations like Indonesia, Syria, Turkey, and Iran⁸ - the improved conditions of people around the world will be of far more benefit to the United States than the sugar program could ever be.

¹ "WTO Deals New Blow to 'Big Power' Farm Subsidies," Reuters, August 4, 2004.

² Roger Thurow and Geoff Winestock, "Bittersweet: How an Addiction to Sugar Subsidies Hurts Development," A World Connected, September 15, 2002. www.aworldconnected.org/article.php/242.html.

³ Gillian Virata, "Effects of US Sugar Policy on Developing Countries," International Economic Studies Center, June 2004.

<http://internationalecon.com/virata/The%20Effects%20of%20the%20US%20Sugar.pdf> (last visited September 3, 2004).

⁴ David Loyn, "Sugar Subsidies Squeeze Poor," BBC News, September 3, 2003. <http://news.bbc.co.uk/1/hi/world/africa/3078992.stm>

⁵ Compiled from FAOSTAT data, 2004, and the Department of State Congressional Budget Justification, 2004.

⁶ Virata.

⁷ Mozambique is classified in the poorest category, "low-income economies."

http://www.worldbank.org/data/countryclass/classgroups.htm#Low_income. Income statistic from the World Bank,

<http://devdata.worldbank.org/external/CPPProfile.asp?SelectedCountry=MOZ&CCODE=MOZ&CNAME=Mozambique&PTYPE=CP> (last visited September 3, 2004).

⁸ FAOSTAT data, 2004 (last visited September 3, 2004).

