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Dishing out death at the trade table?

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According to the report "EU Trade Barriers Kill" released Sept. 5 by the Brussels-based think tank, the Center for the New Europe (CNE), "One person dies every 13 seconds somewhere in the world - mainly in Africa - because the European Union does not act on trade as it talks."

This week, trade ministers from 146 nations are meeting in Cancun, Mexico, to work on a new trade agreement under the auspices of the World Trade Organization (WTO) involving a variety of issues, particularly agriculture. Last month, 16 countries, including China, Brazil and India called on the WTO to force the rich countries to make big reductions in import duties and farm subsidies. EU representatives have said it is unlikely they will acquiesce to these demands.

The EU, the U.S., Japan, and Canada account for about 75 percent of world output and are the biggest markets for exports from the poor countries. However, according to the CNE report, "while these countries talk endlessly about the liberalization of world trade, they have been ruthless in keeping their domestic markets closed to agricultural and textile exports from the poorest countries," and the worst of the protectionists is the EU.

The EU wrecks the abilities of poor countries with comparative advantages in food and textiles to compete in two ways. First, it has high agricultural tariffs, averaging about 20 percent, but in some cases reaching a rate of 250 percent. For instance, the tariff on Bolivian chickens is 46 percent, and 34 percent on Bolivian orange juice. Second, the EU has massive agricultural subsidies called the Common Agricultural Policy (CAP). This subsidy totals "\$41 billion a year, or \$14,000 per European Union farmer (though half the spending goes to the biggest 17 per cent of farming enterprises)."

These subsidies make it difficult for non-EU farmers to compete, even when they have a comparative advantage, because of the artificially low prices that are a result of the subsidy. The subsidies create huge surpluses of food within the EU, which are then dumped on the world market driving down prices which, in turn, destroy the ability of unsubsidized farmers in developing countries to survive. An example of the lunacy is that the EU spends about \$3 billion subsidizing European farmers to grow high-cost sugar beet, while placing high tariffs on low-cost cane sugar from developing countries.

The U.S. and many other developed countries also provide unjustified subsidies to their domestic farmers and then dump the surplus product on world markets, destroying the ability of Third World farmers to compete. Again, according to the authors of the CNE report, the EU is the worst offender counting for about one-third of world trade protection. They calculate that the starvation engendered by the EU policies alone amounts to the deaths of 6,600 people per day or 275 per hour.

Even if these figures are substantially wrong, what is clear is that the protectionist policies of the developed countries are causing an enormous and very unnecessary death toll.

Economists have known for more than 200 years that trade benefits everyone and is not a zero-sum game. The irony is that not only the developing countries but also the EU, the U.S. and the rest of the big agricultural subsidizers would also benefit from free trade in agriculture. As the authors of the CNE note: "EU agricultural policies hurt farmers in the developing world. They hurt consumers in Europe by raising the price of food. They hurt nonagricultural producers in Europe by diverting income that would otherwise not be spent on food. ... They do not materially assist the majority of European farmers. The main beneficiaries are a few big agri-business combines, and the politicians and bureaucrats who supervise the whole system." The same of course, can be correctly said of U.S. agricultural policies.

One should not be surprised by this European political hypocrisy. After all, these are the same politicians who came up with the destructive concept of "harmful tax competition," which is merely another way to harm developed and developing economies alike. Reducing tax competition means higher taxes on capital, which is the "seed corn" of modern economies. It means less investment, more unemployment, lower standards of living, and higher death rates.

A terrorist is one who goes out and kills innocent civilians because of his own sick beliefs. What should we call politicians who advocate protectionist and anti-tax competition policies that have the well-documented indirect effect of also killing innocent civilians, particularly children?

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