ECOSOC PREPARATORY MEETING ON FINANCING FOR DEVELOPMENT*

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United Nations, New York City
March 22, 2004

Thank you, Mr. Chairman, and good afternoon to all those assembled here today. Our mutual goal is to make trade an engine of development, but ten years of the World Trade Organization and several decades of experience with trade liberalization under policies of the World Bank and International Monetary Fund are proof positive that the emphasis on export agriculture is not generating resources for development.

I welcome the proposal of Mr. El Haque for an audit of resource flows—in both directions. The terms of trade for commodities have worsened drastically over the years: the rising costs of imported inputs and the declining prices of commodity exports have impoverished the South. There are not enough export earnings to pay down debt, much less to invest in domestic development.

The principal cause of the price decline is structural oversupply over the course of decades. In the case of cotton, for example, production has doubled since the 1960s while prices have fallen by half, and the U.S. now controls about 40% of the global cotton market. U.S.-based exporters accomplished this dominance through dumping at prices well below the cost of production. In 2002, U.S. cotton was dumped overseas at 61% below the cost of production, according to a recent update on U.S. agricultural dumping produced by my organization, the Institute for Agriculture and Trade Policy. And it’s not just cotton. The U.S dumps wheat at 43% below the cost of production, rice at 35% below, soy at 25% below and maize at 13% below the cost of production.

If we are to meet the Millenium Development Goals, there must be a ban on dumping – not just export subsidies. In the U.S., export subsidies are a relatively small factor in agricultural dumping; it is the cartel power of the horizontally and vertically integrated monopolistic agribusiness trading companies that facilitates dumping. It would not even be effective in the U.S. to reduce domestic support, which in any case is necessary in all countries to stabilize commodity markets. A recent report by economist Darryl Ray of the University of Tennessee found that even the total elimination of domestic support in the U.S. would only result in negligible price increases that would decline over ten years, as the higher price stimulated even more production.

In short, to ensure agricultural trade generates resources for development, we must manage supplies through government intervention in the marketplace, domestically in all of our countries and internationally.

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* ECOSOC Informal Hearings of Civil Society on Financing for Development on “Coherence of the international financial and trading systems in support of development: national responsibilities and international obligations.” My comments were addressed to the panel on “Coherence of the international trading system in support of development.”

When we talk about "coherence," we should be talking about coherence within the entire multilateral system, including the United Nations – not just the World Bank, the International Monetary Fund and the World Trade Organization. And we should look to UNCTAD for expertise and models on how to manage commodity trade for development. Consistent with the Cotton Initiative proposed at the WTO by Burkina Faso, Chad, Mali and Benin, UNCTAD has supported numerous International Commodity Agreements, a Common Fund for Commodities and mechanisms for Contingency and Compensatory Financing to deal with supply and price shocks and slumps. I commend to you UNCTAD's report released last month on Economic Development in Africa entitled "Trade Performance and Commodity Dependence," which discusses these mechanisms in detail. As for the criticism that they haven't worked, it seems the real problem is less technical or institutional but a matter of political will.

In Cancun, the developing countries demonstrated a great deal of political will, insisting that the WTO be reformed to meet their development objectives. I hope they will bring that political will to Sao Paulo in June, to the UNCTAD XI meeting there, to reassert the role of states in managing trade – just as they are expected to manage their budgets and their currencies in order to pay down debt.

Thank you very much.