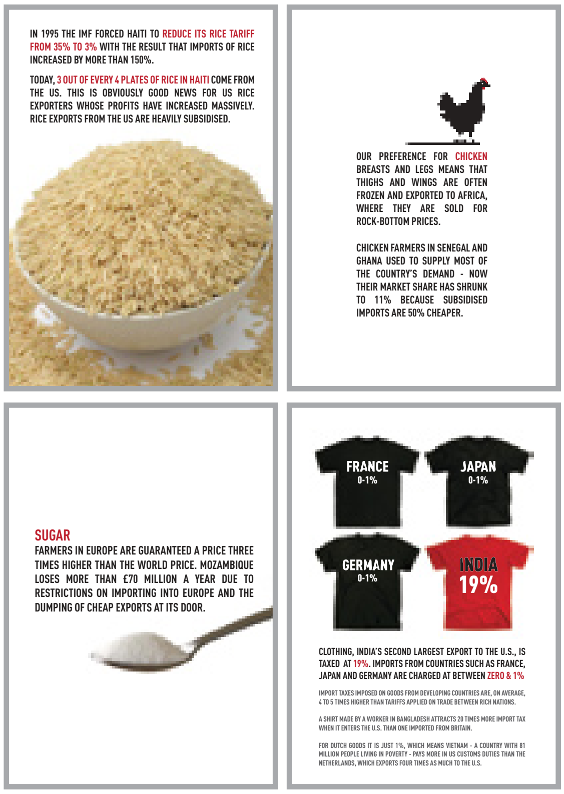

**CLOTHING, INDIA'S SECOND LARGEST EXPORT TO THE U.S., IS TAXED AT 19%. IMPORTS FROM COUNTRIES SUCH AS FRANCE, JAPAN AND GERMANY ARE CHARGED AT BETWEEN ZERO & 1%**

IMPORT TAXES IMPOSED ON GOODS FROM DEVELOPING COUNTRIES ARE, ON AVERAGE, 4 TO 5 TIMES HIGHER THAN TARIFFS APPLIED ON TRADE BETWEEN RICH NATIONS.

A SHIRT MADE BY A WORKER IN BANGLADESH ATTRACTS 20 TIMES MORE IMPORT TAX WHEN IT ENTERS THE U.S. THAN ONE IMPORTED FROM BRITAIN.

FOR DUTCH GOODS IT IS JUST 1%, WHICH MEANS VIETNAM - A COUNTRY WITH 81 MILLION PEOPLE LIVING IN POVERTY - PAYS MORE IN US CUSTOMS DUTIES THAN THE NETHERLANDS, WHICH EXPORTS FOUR TIMES AS MUCH TO THE U.S.

# SUBSIDISED IMPORTS – CHICKENING OUT




Up to the 1970s, Africa was a net exporter of food. In the 1980s, having been pushed into accepting import liberalisation strategies by the IMF and World Bank (as a prerequisite for being granted loans and other financial assistance), that changed dramatically. Food imports increased exponentially, but the development gains this was meant to bring about never materialised: while in 1981 72% of sub-Saharan Africans lived on less than $2 a day, by 2007 the figure was slightly *higher*, at 72.2%.

Economic theory argues that free trade – that is, international trade free of any taxes, quotas or other restrictions – benefits all those involved. Tariffs run counter to free trade, since they provide a disincentive to trade. In theory, tariffs reduce the amount of a product sold (since people generally buy less of a product when it is more expensive) and also reduce the amount of money received by the producer (since part of the sale price is removed due to taxation). But theory and practice often don't meet, especially since the theory underlying free trade is based on assumptions with little bearing on reality (e.g. all decisions are guided by rational self-interest).
What happens to all the food we don't want? As Western standards of living have risen, so have our demands for more refined foodstuffs. Cheaper cuts of meat are eschewed for more tender varieties, as are bruised fruits and vegetables. These 'inferior' products are often shipped to developing countries, where they are sold at cut-price – often to the detriment of local producers.

In Ghana, chicken imports have been increasing almost exponentially for the past 5 years. In2002, Ghana imported 26,000 tonnes of chicken; by 2004 it was importing 40,000 tonnes, and in 2005 that figure had risen to 56,000 tonnes.

## EVENTS:

- Ghana imports almost one-third of all the EU frozen chicken that goes to Africa.
- The Ghanaian government lowered the tariff on imported poultry from 40% to 20%, making it even cheaper for imported chicken to enter the market
- European chicken farmers receive farming subsidies from the EU's Common Agricultural Policy (CAP). CAP has an annual budget of approximately €45 billion. Ghanaian chicken farmers receive no financial support from their government.
- Demand for local Ghanaian poultry has collapsed, the livelihoods of over 1,000 small-scale poultry farmers threatened

This practice – of developed world goods being sold within the developing world for cheaper than local alternatives – is known as *subsidised importation*. Although ostensibly a nod towards free trade, such imports are at an advantage compared to developing world commodities due to the subsidies the former receive. Subsidised imports are a particularly cruel blow to Third World farmers: often unable to sell their product in prosperous developed world markets due to costs, trade barriers and other restrictions, they are forced into unequal completion within their very own domestic markets too.

Subsidised imports are not just a problem in Africa. Haiti found itself in a very similar situation with rice. In Haiti, however, the government was ***forced*** into lowering its rice importation tariff by the International Monetary Fund (IMF).

## THE ISSUE:

- Haiti is the poorest country in Latin America and the Caribbean, and one of the world's most impoverished nations. Life expectancy at birth is 59 and GDP per capita a mere US$ 785 – just over $1 a day.
- Haitian farmers have been cultivating rice for over 200 years. It is the country's staple food.
- Some 20% of the local population is engaged in rice production, and almost two-thirds of Haitians depend upon agricultural production for their subsistence.
- Haitian rice is not exported – all locally-produced is grown for domestic consumption.
- Up to 1995, Haiti had a 35% importation tariff on rice, aimed at protecting local rice farmers. As part of an IMF loan package, however, the Haitian government was made to lower this tariff to 3%. This was part of the IMF's liberalisation agenda, which stated that markets were best left to themselves, with as little government interference or protection as possible.
- The protective tariff barrier that had shielded Haitian rice from foreign competition was now gone: the result, as many had warned, was a collapse in domestic rice production, as local producers (who received no subsidy or financial assistance from the Haitian government) struggled to match the price of foreign rice, which was heavily subsidised.
- US rice imports ballooned, rising by over 150%, but domestic rice production tumbled to 100,000 tonnes a year – a fall of 80,000 tonnes from its early 1990s peak.
- Following the IMF's guidelines meant Haiti was awarded the highest score, a 1, in the IMF's 1999 Index of Trade Restrictiveness. This was scant consolation – over 10 years after the import tariff was forcibly reduced, Haiti is poorer than ever before.
- The opposing camp argue that tariff reductions have brought about lower prices for the consumer (a US-produced bag of rice costs approximately $1.45, as opposed to $2.35 for a Haitian one), but at what cost? As Haiti's economy stagnated throughout the late 90s and early 00s, its currency lost some two-thirds of its value. As a result, in real terms, rice costs as much in Haiti now as it did in 1994, prior to the IMF reforms.

It is important to note that Haiti has also been the victim of extraordinarily unfortunate climatic conditions and environmental degradation. Soil erosion, deforestation and alternating drought-hurricane swings all played a part in Haiti's declining domestic rice yield.

Today, Haiti is the least trade-restrictive country in the Caribbean with importation tariffs are lower than those of its neighbour states. Nevertheless, it remains the poorest country in the Caribbean, and one of the poorest in the world.

It is quite easy to become overwhelmed by the multitude of trade justice issues mentioned. Sugar, coffee, wheat, bananas, rice – practically everything we eat seems to be implicated in one way or another! But these are all symptoms of an unjust international trading system. While reducing EU subsidies on wheat, or allowing Haiti to reintroduce its import tariff on rice would help the individual farmers within those countries affected, the entire system must be re-thought and reconstructed from the bottom up if long-lasting change is to occur.

Initiatives such as the European Union's Economic Partnership Agreements (EPAs) are skewed in favour of the rich from the outset, since they assume a level footing between rich and poor. It does not help that poor countries face pressure from all quarters to acquiesce and open up their markets to their rich counterparts: having battled the WTO against market liberalisation for years (with the resultant collapse of the Doha round of talks), it is now the European Commission who is pressuring impoverished nations into opening their markets.

Trade justice is about more than the imports, exports, subsidies or trading rules themselves. Trade justice is about acknowledging that a farmer in Mali has as much right to make a living as one living in Offaly, and realising that wealth and power are not our divine birthrights. Trade justice is about putting all human rights into practice, through deeds rather than words. If all men are born equal, then it logically follows that all must be put on as equal a footing as possible: no rights-based perception of the world can defend a trading system in which only the rich players can ever win. Not only is it anathema to human rights, it also makes a mockery of western meritocratic principles. It is this final point which perhaps rankles most with First World governments, since trade justice demands that we put our professed guiding principles – democracy, transparency, merit – to the test.

The current international trading system is neither inevitable nor unchangeable. Just as it has changed in the past, it can change in the future, should enough people desire it. In the words of Christian Aid,

*"If our aim is to bring peace and justice to the world, poor people must not merely share the fruits of globalisation but the whole process of globalisation must include them. It has to be made to work in their favour, and not simply in the interests of those who already possess power, influence and wealth."*

**Christian Aid, *'Master or Servant* ' (2001)**

## FURTHER INFORMATION

Oxfam International has published several policy papers on trade justice issues, and has a webpage dedicated to the issue. You could set the ball rolling with No Soft Landing, a 2006 Oxfam paper on US cotton subsidies.

http://www.oxfam.org.uk/resources/policy/trade/index.html

http://www.oxfam.org.uk/resources/policy/trade/bp83_chinacotton.html

This Trocaire policy paper analyses EU subsidised sugar exports and discusses the need for reform in the sugar regime.

http://www.trocaire.org/uploads/pdfs/policy/reform_of_the_sugar_regime.pdf