

The “Buy American” Aid Package

By Conn Hallinan

The recent White House proposal to aid impoverished countries if they drop trade barriers and open their markets is likely to substantially accelerate the misery index in Latin America and Africa, the main targets of the \$5 billion plan.

Entitled the Millennium Challenge Account, the administration says it will be doled out to countries like Senegal, Ghana, Bolivia, and Honduras if they institute “the rule of law,” as well as “sound fiscal policies.” This latter includes free trade for “American goods and services.”

But 15 years of free trade and open markets have inflicted ruinous damage on poor countries in Latin America and Africa. When added to the recently passed U.S. Agriculture Bill that increases U.S. export subsidies, this plan to tie aid to U.S. political and economic rules will likely make an already bad situation worse.

Look at the record.

Some 15 years of free markets in Latin America has produced an anemic growth rate of 1.5%, far less than the 4% required to alleviate poverty. The wreckage caused by neoliberalism is strewn across the continent: Argentina recently defaulted on its international debt; Brazil is wrestling with a currency crisis brought on by debt; Uruguay’s economy is teetering; Chile has an unemployment rate frozen at 10%; Bolivia, Peru, and Ecuador are deeply in economic crisis and sundered by social unrest.

In Latin America and elsewhere, America’s misguided economic policies—privatization of government-owned companies and services, abolishment controls on financial flows, and rapid trade liberalization including reduced protection for local farmers—are being blamed for rising economic and social problems. Yet these are the very same policies that poor coun-

tries are now being challenged to enforce if they want U.S. “millennium aid.”

Pressured by Washington, countries have been lowering their trade barriers and as a result are drowning in a flood of cheap, subsidized U.S. goods. Cheap Nebraskan corn, for instance, has largely replaced native Peruvian corn. It is not cheaper because Peruvian farmers don’t work hard, it is cheaper because U.S. taxpayer subsidies keep U.S. corn exports 20% below world prices. This is hardly the “level playing field” that U.S. trade negotiators demand for U.S. exports.

The situation is much the same in Mexico, where U.S. subsidized corn now claims 25% of the market. On January 1, when duties on wheat, rice, barley, potatoes, dairy products, poultry, pork, and beef are eliminated under the North American Free Trade Agreement, Mexican agriculture is likely to be overwhelmed.

The Agriculture Bill grants \$57 billion in direct subsidies to U.S. farmers (most to huge agri-giants), which wins Midwestern votes but encourages overproduction and makes American crops cheaper than any in the world. U.S. wheat sells for 46% less than its production cost. Poor countries buy U.S. foodstuffs because they are cheaper than their own. But this puts tens of millions of small farmers in Latin America and Africa out of business, while running up huge foreign debts.

Since agriculture makes up 17% of the total economic activity in 48 Sub-Saharan nations—50% in some—there is little these countries can export to pay that debt off, and there is no way they can match the economic power of American subsidies. “This farm bill, I think it is fair to say, will put millions of small farmers out of business in Africa,” Mark Riche, president of the Institute of Agriculture policy in

Minneapolis told the *New York Times*. “They will have to move to the cities and become part of the unemployed labor pools.”

The cycle of rising debt, chronic unemployment, and massive dislocations of rural populations is a time bomb, one that has already detonated in countries like Peru, where sewage system repairs were deferred in order service a huge foreign debt. As farmers displaced by free trade poured into cities, water and sewage systems are collapsing, reintroducing cholera to millions of Latin Americans.

In Guatemala, the UN World Food Program says that 17% of children under five suffer from severe malnutrition, and chronic hunger has

increased by a third throughout Central America.

The White House touts the new plan as a “bonus” over and above regular U.S. aid program, which certainly needs a boost. The U.S. aid program has been steadily dropping—with the rate of U.S. per capita development assistance among the lowest among Western nations. But administration officials told the *New York Times* that the proposal might spark cuts in “other forms of foreign assistance.” Given that the administration is facing its own major debt problems, plus a possible war with Iraq, U.S. economic aid spending, already at a record 50-year low, will likely face new cuts.

Clearly, the U.S. aid program needs reforming if it is to help reverse the alarming increases in the indices of world poverty and hunger. But the Challenge Millennium Account is more of the same failed approach to development aid. It will force desperately poor nations to compete for an aid pittance—\$5 billion is the cost of 3 ½ B-2 Stealth bombers—and obligate them to institute policies that are already impoverishing them.

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