



# The Price of Market Access

Three international meetings in late 2005—the Summit of Americas in Mar del Plata (November), Asia Pacific Economic Cooperation forum in Busan, South Korea (November), and the World Trade Organization ministerial in Hong Kong (December)—will highlight the uncertain future of free trade agreements. As a way to increase the benefits of international trade, developing countries are seeking greater access to the markets of the industrial world. But too often there is a high price to be paid for increased access to these large markets.

## 1. POOR COMPENSATION

Access to the U.S. market is poor compensation for the concessions that Latin American governments are required to make in Free Trade Agreements (FTAs) with the United States because the United States picks and chooses what access to give, while demanding near total liberalization for entry of its own products.

## 2. SHORT-LIVED

The export advantages of FTAs are likely to be short-lived. As the United States negotiates FTAs and trade liberalization rules with nations all over the world, the privileged access of its previous partners becomes less of a competitive edge. Neither the North American Free Trade Agreement nor the Central American Free Trade Agreement will protect Mexico and Central America from lower-priced exports from China and other countries into the U.S. market.

## 3. DECIMATING, NOT DEVELOPING, AGRICULTURE

Agriculture offers the best example of the fallacy of the argument that market access can achieve major development goals. Since market access goes both ways, access to the U.S. market for Mexican fruits and vegetables under NAFTA led to high growth in the horticulture sector but came at the expense of losing national markets for other products. While Mexico experienced over 50% growth in the value of its exports of major fruits and vegetables to the United States, the earnings have been more than offset by the cost of its burgeoning imports in grains, especially corn, which tripled under NAFTA.

## 4. DISPLACEMENT NOT CALCULATED OR COMPENSATED

The displacement caused by massive imports can be difficult to calculate and compensate. Mexican planners anticipated a need for maize farmers to convert because of NAFTA but overestimated the growth of livelihood alternatives in other sectors and underestimated cultural resistance to abandoning rural communities. The result was emigration to the United States, rural poverty, increased illegal drug production in some regions, and intensification of farm labor, especially for women. Given the U.S. surplus production in key agricultural products and the impact of imports on small and medium industries that produce for the domestic market, the social, economic, and political costs of domestic markets lost to cheap, often subsidized imports are very high.

## 5. SUBSIDIES INCREASE FOOD DEPENDENCY

Providing access for U.S. agricultural products, rather than "leveling the playing field" as U.S. trade negotiators claim, causes severe distortions in the value of these goods since many U.S. exports are so heavily subsidized. The 2002 Farm Bill authorizes an 80% increase in subsidies over the next ten years. The United States has refused to discuss its agricultural subsidies in every one of the bilateral FTAs negotiated to date. Due to these subsidies, particularly grains are being sold on the international market with dumping margins of 25% or more. This puts domestic production in developing countries, where these grains constitute the staples of the local diet, at an unfair disadvantage. The resulting dependence on imports also poses a serious threat to food security and sovereignty.

## 6. FREE TRADE, PLUS PROTECTIONISM

**Free trade agreements with the United States do not even necessarily ensure fair market access.** In key horticultural crops and others, Mexico has met with protectionist measures from the United States in the form of dubious phyto-sanitary barriers, antidumping complaints, and other pretexts. The U.S. government also has no qualms about protecting sectors it considers politically strategic. The United States routinely maintains protections in the form of quotas and non-tariff barriers that it rarely allows for its trade partners.

## 7. SUBSIDIES INCREASE FOOD DEPENDENCY

**Market access cuts both ways and never constitutes an unmitigated gain for a developing country.** Large industrialists typically come to the table with considerable influence and a convincing case—we make this, we need a market, the United States offers the largest in the world, ergo we need an FTA with full market access. Gain in access to the U.S. market can be offset by the loss of domestic markets in key sectors.

(These Talking Points were prepared by Laura Carlsen, director of the Americas Program of the International Relations Center (IRC), online at [www.irc-online.org](http://www.irc-online.org). Carlsen is the author of numerous essays and book chapters on globalization, and speaks widely on trade and development.)

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These Talking Points on Free Trade Agreements reflect the principles of the Global Good Neighbor Ethic for International Relations, especially Principle Six:

“The U.S. government should support sustainable development, first at home and then abroad, through its macroeconomic, trade, investment, and aid policies.”

See IRC’s A Global Good Neighbor Ethic for International Relations online at:  
<http://www.irc-online.org/content/ggn/0505ggn.php>

## For More Information:

*The Price of Going to Market*  
By Laura Carlsen (September 19, 2005)  
<http://americas.irc-online.org/am/654>

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## IRC/FPIF TALKING POINTS #2

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