EIR Economics

‘Walking Dead’ WTO Is Ruining World’s Agriculture Producers

by Rosa Tennenbaum and Marcia Merry Baker

Developing countries, taking a stand at the September World Trade Organization (WTO) conference in Cancún, Mexico, demanded protection against commodities-dumping prices, and removal of agricultural subsidies in European, U.S. and other so-called “First World” farming sectors. But the long, long-discussed worldwide parity price would be a solution which would serve all.

At the negotiations in Cancún, the industrial countries were torn out of their arrogance. In the run-up to the conference, 21 developing countries formed the G-21. First, the time-worn approach was used to try to stop them: the carrot offered in public, and the stick as a hidden threat to those who refused the carrot. In the past, that had always had the desired effect—but this time, the more the thumbscrews were tightened, the greater the resistance, until some African countries simply walked out. Since the WTO can only decide by consensus, this meant the end of negotiations.

Group of 21 Lays Down Demands

Two days before the beginning of negotiations, the self-confident Group of 21, with great fanfare, announced their formation. They gave a press conference, presided over by the Brazilian Foreign Minister Celso Amorin, together with his colleagues from India, China, South Africa, Argentina, and Costa Rica. Amorin rejected the WTO’s working paper, and put forward his own list of demands.

The main demands of the industrial countries—primarily the U.S.A. and the European Union (EU)—have revolved around the so-called “Singapore themes” (see *EIR*, Oct. 3 for details), which propose agreements on liberalization of multilateral investment; patent protection; and privatization of electricity, water, telecommunications, education, health, and pension funds worldwide. No wonder, that this gruesome list aroused the anger of a number of countries. The initiative was seized by the Indian Trade Minister, Arun Jaitley, who, together with China, drew 12 other countries to their side, with other states joining them during the course of the negotiations. Thus a defensive front was created, for these groups of countries represent 51% of the world’s population, and 65% of the farmers of the world.

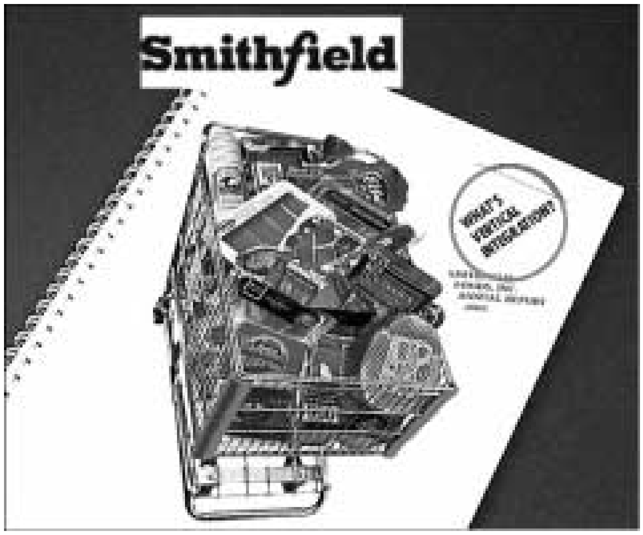
The Brazilian Trade Minister called the press conference itself an “historic occasion,” and demanded that the WTO prove to the world that it cared anything at all about the concerns of the poor. In fact, this closing of ranks is the first time in history that the developing countries put themselves into a position of power—no longer limiting themselves to lodging complaints and making appeals, but rather standing eye to eye with the industrial countries.

The paper they presented with their list of demands drew attention to the fact that the disparities of world trade have caused them great difficulties. Even in their own domestic markets, the farmers are facing growing problems and increasing impoverishment. They want fundamental reform, the first and foremost being the total lifting of export subsidies, a reduction of the protection of agriculture in the industrial countries, and easier access to markets. Reform could only be successful if it were aimed at the development of their countries. Furthermore, they demand protection of certain of their products by import tariffs, by using a particular mechanism to defend domestic markets from cheap and subsidized imports.

Just how hot this question is, is shown by the fact that two out of every three points concerned these matters. Each Minister present emphasized these demands. Again and again it was said that they had to protect their farmers against aggressive trade practices.

In content, the list of demands is very mixed. On the one side, the Group of 21 asked that imports be protected against dumping prices; on the other, they want to do to farmers of the industrial countries the same thing that is being done to them. The Third World countries are standing on the edge of the abyss: Every day the world market pays them less and less for their products; and at home they are being swamped with ever cheaper imports from the industrial countries.

The cotton industry was cited as an example. The United States is subsidizing cotton farmers at about $3 billion per year, which has forced the price of world cotton down 25% in recent times, to a level where it does not cover the cost of the cultivation of cotton in India. There, the farmers are visibly getting poorer. Many of them have quit entirely, and trekked to the boundless misery of the city slums.



Smithfield, like the other rapidly expanding food cartels, does business under dozens of brands. They are the real "subsidized food dumpers" never named in the WTO agriculture debates at Cancún.

Demands Don't Mention the Food Cartels

The behavior of the G-21 shows that the underdeveloped countries are sick of being at the beck and call of the others. They want, at last, to be heard in the concert of nations. How important this is for their domestic populations, is shown by the reception that the Indian Minister of Trade got upon his return: He was celebrated as a hero, and the breakdown of the WTO negotiations in Cancún as a great victory for India and the developing countries.

Yet the list of demands, with its generalizations, shows a dangerous failure to understand economics: Subsidies to the farmer in the industrial countries are seen across the board as the sworn enemy, with total blindness to the fact that those farmers are victims of the same destructive process—subject to the same machinations—as the farmers in the poorest countries.

The big food cartels are not mentioned by name even once. Both sides in Cancún aimed at *driving the farmer in the "other" sector into bankruptcy.* The industrial countries wanted the takedown of developing countries' protective tariffs, which would ruin the small farmers with dumping prices. The developing countries demand the total end of subsidies to the farmer in the industrial nations, which would mean the end to much of agriculture there. The power of the giant cartels, who are after all responsible for the low prices and the misery on both sides, is not touched by any of this.

The world's farmers are witnessing private political and financial monopoly control over raw materials and essential goods and services, at a time when the general financial and economic system is in breakdown. This is so in every part of the food chain—fruits and vegetables, oils, meats, seafood, cereals, legumes, dairy, and so on. So, for example, when orange juice concentrate imports arrive in the United States from Brazil—the which have wiped out vast amounts of citrus production in Florida—the tanker does not say "From Brazil"; but rather, Cargill, or Coca Cola/Minute Maid, etc.—the *U.S.-based* transnational cartels. When U.S. corn is dumped on Mexico, it should not be seen as an assault "From U.S. Farmers"; the company responsible is ADM or Cargill, part of the cartel currently dominating and determining world grain production and trade.

The Smithfield Meat Case

The point is illustrated by just one headline development this Fall in the global meat sector, ironically timed with the WTO's Cancún conference. On Oct. 13 came the announcement that U.S-based Smithfield Foods, the world's largest meat processor, will acquire the pork-packing assets of the American Midwest-based, now-bankrupt Farmland Industries, once the largest American farmer-owned cooperative. Smithfield alone will then control over 27% of the total U.S. pork market.

Besides dominating slaughtering, Smithfield itself already accounts for over 20% of all U.S. hog production, by operating giant factory farms, mostly based in North Carolina. Recently, Smithfield arranged to directly import soybean livestock feed from Brazil, through a new deepwater facility on the Atlantic Coast near its Carolina hog operations. Globally, Smithfield owns subsidiaries in Canada, France, and Poland, and operates joint ventures in Brazil and Mexico. It is also among the top five beef packers in the United States.

What did John Ashcroft's Justice Department have to say about the obvious anti-trust violations of the new Smithfield/

Farmland deal? About as much as Vice President Cheney has done to curb Enron or Halliburton in the energy sphere. Early this Fall, the Justice Department's Anti-Trust Division ruled that an acquisition by Smithfield Foods, based in Virginia, of the pork-processing plants of bankrupt Farmland Industries, would be acceptable if Smithfield stayed under 30% control over the American pork market. Lo and behold: Smithfield, saying it would control *only 27%* of the pork market, then filed the winning bid in the Oct. 12 auction for Farmland's pork-processing assets, beating out Excel, the meat division of Cargill, Inc. of the international and U.S. meat cartel. Smithfield is to pay $367 million in cash, and also assume the $90 million obligation for Farmland Foods workers' pension plan.

Smithfield pressured Farmland to buy out its meat-processing division in 2001, before it declared bankruptcy, but was turned down. Now Smithfield has succeeded. What remains is for the Farmland sale to get the okay from the U.S. Bankruptcy Court in Kansas City, Missouri, at a hearing Oct. 28. Farmland was ranked sixth in pork processing, and with its facilities transferred to Smithfield, that will put Smithfield in a class all its own. With the completion of the Farmland deal, four companies—Smithfield, Excel/Cargill, Tyson Foods, and Swift—will control over two-thirds of the supply of all kinds of meat in America.

Parity Pricing Is Known Solution

Is it possible that "world parity prices" could be a solution, which would take to heart the apparently contradictory interests of agriculture in both the industrial and the developing countries? The problem has to be tackled at the source: The price the farmer-producer receives everywhere is much too low.

As long ago as 1986, Lyndon LaRouche put forward a proposal to solve the world agricultural crisis. In 1974 for the first time, the U.S. Federal government had given subsidies to the big grains cartels, which gave them a free hand to underbid the prices of other exporters on the world markets. Henry Kissinger, the Secretary of State in 1974, had been the one responsible for this decision. In subsequent years, the U.S.A. and the EU had engaged in cutthroat competition, each underbidding the other for the enormous resources which the looming collapse of socialism brought within range. The grains price on the world market had sunk to *one-third of production costs.* Governments had transferred billions of tax revenues to private firms such as Cargill, Inc. and Continental Grain, which brutally reduced prices, and without any risk to themselves, took over the world grains market. The low world market prices for grains had then been used as an excuse to underpay the farmer.

LaRouche proposed to put an end to this business: Governments should once again take matters in hand. To that end, the five great agricultural exporting countries and regions—the U.S.A., the EU, Canada, Australia, and Argentina—should come to an agreement to export no more cereals at a price under the cost of production. If they committed themselves to lift the export prices of cereals to a level that would cover costs, other problems would take care of themselves. Governments could save immense sums on export subsidies; the latent trade war between the U.S.A. and the EU would lose its edge, and the power of the grain cartels be broken. Overall subsidies could be radically lowered, and the farmer paid enough to cover costs.

When farmers plant, they need parity pricing, to guarantee that at harvest time they will get back the cost of production, and some profit on top of that. LaRouche proposed a world parity price, which would especially favor the farmers in Third World countries. Since they operate with lower costs than their colleagues in the industrial countries, a higher price would especially favor capital formation for these countries. This proposal is more pressing now than ever. The world's farmers will either survive together, or divided, they will all go under.

Mexicans See Threat in Schwarzenegger Victory

by Valerie Rush

The U.S. neo-cons' imposition of Hollywood's "Terminator" as California's governor, has many Mexicans nervously predicting intensified looting schemes against their energy resources, an anti-immigrant backlash, and consequent dangerous deterioration of U.S.-Mexican relations. In interviews, press conferences, and media analyses, prominent voices are using many of the arguments that have been circulated on both sides of the border by activists of the international LaRouche movement, to warn of this new fascist threat to Mexico.

On Oct. 8, Zacatecas governor Ricardo Monreal called a press conference to warn that the election of Schwarzenegger, "a man of a highly zenophobic and racist character," could lead to "persecutions" of Mexican immigrants. "We have to be very careful with this actor," said Monreal, "because he makes us think that the *Kristallnachts* of Nazi Germany could be revived." (This was the name given to the night-time rampage of Nazi Party thugs in 1938 against Jewish property in Germany, a foretaste of the roundup of Jews into concentration camps.) Monreal urged Mexicans and Hispanic immigrants to join forces in their own defense.

One day earlier, a conference was held in Ciudad Obregón, Sonora, announcing the release of a new book written