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Free Trade Agreements and their Negative Effects on Smallholder Farmers in Peru

The issue of global hunger is considered one of the most complex, multi-layered and crucial issues in our world today. Many variables go in to determining the food supply of billions of people across the globe. Some of these variables are out of our control, like precipitation, temperature or severe weather. But just as damaging to the food supply of millions are the variables that politicians, executives and everyday people contribute, whether consciously or not, to our ailing international food system. Deep in the Andean highlands of Peru, where craggy, forested mountains seem untouched by modern civilization, poverty and food insecurity rates are the highest in the country, affecting over five million people. The majority of these people are smallholder farmers, who lack very basic resources such as education, health care and property rights. At times, this creates the illusion that they are living in another world, separate from the overdeveloped, sprawling cities and multitude of commercial farms in the United States. In reality, however, agricultural trade policies, created by our world's most powerful politicians and business leaders, can be the difference between obtaining an adequate income and being faced with yet another terrifying bout of food insecurity for Peru's smallholder farmers and smallholder farmers across the globe. In this paper, discriminatory international trade agreements and the economic actions of governments and political organizations will be examined and linked to the food insecurity of smallholder farmers in Peru. Through correcting and removing political hindrances preventing smallholder farmers from reaping the benefits of international trade, we will be one step closer to abolishing hunger and creating a more equitable international economy.

In rural Peruvian communities, where around 73% of the population are indigenous peoples, the culture is rich and colorful. For hundreds of years, Peruvians have been famous for their skilled, detailed craftsmanship and artwork, such as *mates burilados*, intricate images depicting traditional culture that have been carved onto gourds, or the colorful, whimsical *retablo* scenes portraying historical and religious vignettes in carved, wooden boxes. A blend of pre-Hispanic and traditional Inca clothing accounts for the black and red embroidered skirts worn by women in Peru, often accompanied by thick woven ponchos, that are died red during holidays and festivals, and woolen or straw hats, worn by men and women alike. Colorful silks and detailed embroidery in regional varieties replace everyday clothes when dances are performed, such as the coastal *marinera* or the *danzantes de tijeras* in the Andean region. With much twirling of vivid petticoats and complicated footwork, Peruvian dances are animated, lively and exciting to watch.

Like their dances, traditional Peruvian cuisine is also famous throughout South America, like *ceviche*, *anticuchos* and *cuy* (fried guinea pig!). Meals in Peru almost always contain corn, beans or potatoes as well. In the Peruvian Andes, potato is a staple and is often served boiled with *aji*, a yellow or red hot pepper specific to the mountainous region of Peru. Corn, or maize, is another important part of the Peruvian diet and *choclo con queso* (corn on the cob with cheese) and *tamales* are very popular. Peru has a number of farming commodities that vary depending on region and altitude and include sugarcane, cotton, asparagus, potatoes, rice and corn. A typical, smallholder farming family in Peru can vary from three to seventeen people. It is common that a mother and father, as well as one or both sets of grandparents, help raise the children and work the farm. Almost all Peruvian children are primary school educated, but school is only mandatory for children ages six to twelve and the ratio of secondary school enrollment drops to only 72%.

In the poorest regions of Peru, Vitamin A and iodine deficiencies have caused almost one third of school age children to develop health problems. Protein deficiency, although declining, is also still an issue in areas that haven't yet reaped the benefits of high-protein maize. Per capita food availability in Latin America is increasing, but, as is the case in almost all Latin American countries, food insecurity, which affects 40 to 60% of people, continues to be an issue. One reason for this is an income distribution gap throughout the region that refuses to close. In Guatemala, 64% of the countries' income share is held by the highest income quintile. Income distribution is also skewed in Peru, and the share held by the lowest quintile is less than 1% of the total. Another reason that food insecurity persists in Latin America is that, though national food availability in the region has increased, this has been caused almost exclusively because of a growing dependency on imported staple goods. Though on the surface this increase in agricultural trade seems like a very positive occurrence for a developing country such as Peru, international bilateral trade agreements between a developed country, like United States, and a developing country can wreak havoc on the unstable economic perspective of smallholder farmers.

Many economists, as well as smallholder farmers, agree that free trade agreements are not a fair or positive form of international commerce. "Free trade agreements are not right for developing countries...it is not a negotiation, it is rather an imposition," says Joseph Stiglitz, Co-Recipient of the 2001 Nobel Prize in Economics. On December 14, 2007 the United States-Peru Free Trade Agreement (US-PFTA) was signed into law, ignoring the wishes of over 4 million Peruvian farmers, who staged a large-scale protest lasting two days in February 2008. By the end of the strike, four protesters had been killed and hundreds had been arrested. However, despite numerous negotiation attempts between agrarian organizations in both the United States and Peru, the US-PFTA passed in Congress with an overwhelming 285 votes in favor to only 132 against. The US-PFTA is just one of 250 regional and bilateral trade agreements between a developed and a developing country that have passed in the last five years. How is it that, with such widespread outcry, these free trade agreements have passed with such unprecedented vigor?

Sixty two years ago, the Global Agreement on Tariffs and Trades (GATT) was formed during the UN Conference on Trade and Employment. GATT lasted for almost 50 years and was the foundation for the 1993 establishment of the World Trade Organization (WTO), who still uses the policies created under GATT for much of its foundation. For the first forty years of GATT's existence agricultural trade was altogether ignored, and until the 1980s there were no multilateral guidelines for agricultural trade between countries. Because of this, economically developed countries, when faced with food surpluses, began subsidizing their farmers and putting unscrupulously low-priced agricultural commodities on the global market, creating large economic barriers for smallholder farmers needing to export their goods. This had alarming affects on the agricultural economy of developing countries, causing an international depression of agricultural trade during the early 1980s. The first multilateral attempt to address the issue of agricultural trade imbalance was held in 1986 in Cairns, Australia, where the Cairns Group, a coalition of 19 agricultural exporting countries, Peru among them, who address this imbalance to this day, was formed. The Cairns Group continued to be a force of change in subsequent WTO rounds, the last of which was held in Doha, Qatar beginning in November, 2001. Despite these efforts, a precedent had been set and wealthy nations continue to export immense amounts of subsidized agricultural goods every year, skewing the price of goods and creating tremendous challenges for smallholder farmers needing to break onto the global market.

As stated previously, the Doha Development Round, currently on its tenth year, is the WTO's most recent attempt to reform international farming trade. In 2008, the importance of a successful outcome to the Doha Round was stressed by UN Secretary General Ban Ki-Moon, "It is time for wealthier nations to rethink old-fashioned programs of agricultural subsidies. Economists agree that they inhibit trade and disproportionately penalize poorer nations, contributing to the current [global food] emergency. If we cannot scrap these relics today, in an era of high prices, then when can we?" Just a month after this

statement, however, economists Sylvain Charlebois and Marcel Boyer at the Montreal Economic Institute stated that, “virtually all observers of the current Doha Round of multilateral trade negotiations state it is faltering very badly.” This is due largely to the incooperation of some developed agricultural nations to agree on policy changes necessary for a more equitable agricultural economy. As stated in Charlebois and Boyer’s economic note “The Doha Development Round and Agricultural Trade,” one of the most important policy changes needing to take place is the “significant reduction, if not outright abolition, of direct and indirect subsidies to agriculture, including import tariffs and quotas for farm products in developed countries.” Accomplishing this would require flexibility that many developed countries seem to be unwilling to show. Therefore, poorer nations continue to struggle to find their foothold in the international agricultural economy.

One of the most problematic ways that powerful countries like the United States and members of the European Union (EU) pursue their partial agricultural trade agendas, despite efforts of coalitions such as the Cairns Group, is through continued building of bilateral and multilateral trade agreements with developing nations, such as the United States-Peru Free Trade Agreement. The economic security of Peru’s smallholder farmers and rural poor is likely to be the biggest casualty of the US-PFTA, perpetuating poverty and food insecurity that already affects around 14 million rural Peruvians. It is estimated that smallholder farmers in Peru would need almost \$1billion annually to compensate for their losses due to the US-PFTA. Ninety-two percent of smallholder farmers in Peru depend on domestic consumption of their goods to make an adequate living, but, with the continued increase in imports of unjustly low-priced subsidized US grains, the market is projected to become so competitive that it will become near impossible for smallholders to make any profit on goods such as corn, wheat and rice. Because Peru produces around 135 metric tons of cereal grains annually, this could cause many farmers to seek income through coca cultivation, yet another way the US-PFTA is likely to undermine years of developmental efforts in Peru, causing narcotics production to increase.

Among the other social issues that the US-PFTA perpetuates is gender inequality. In Peru, agricultural laborers receive fewer necessary benefits than any other labor sector in the country, and the majority of these laborers are women. Women who enter the agricultural sector in Peru are often forced to work up to 20 hours a day during harvest season, are not subject to overtime pay or compensation on holidays and are sometimes forced into forms of bonded labor, not allowed to return home until the company they are working for agrees. Because free trade agreements emphasize a cheap and “flexible” work force, no concessions were made by the United States against the often inhumane treatment of agricultural workers when agreeing to trade with Peru. This not only undermines Peruvian development, but furthers the struggle of women whose efforts to provide adequate nutrition for their children make them subject to incredibly harsh working conditions.

Finally, the US-PFTA has outlined stringent intellectual property laws that not only increase the difficulty of poor Peruvians gaining access to medication, but sabotage years of traditional plant breeding and biodiversity knowledge practiced and used by almost all smallholder farmers in Peru. These laws damper Peru’s ability to support its smallholders by insisting Peru adopt seed patents which cause an increase in laws prohibiting the exchange of seeds between farmers, a practice that has taken place for thousands of years. In addition, the intellectual property laws in the US-PFTA benefit the world’s largest agribusinesses over Peruvian smallholders by causing increases in price and the market power of seed suppliers. No matter what angle you look at it, the US-PFTA and the increasing number of free trade agreements being pursued by the United States tremendously impairs progress and damages our world’s smallholder farming economies.

The negative outcomes for smallholder farmers in Peru due to the US-PFTA are a product of lack of efficiency in our world’s agricultural system and specifically in the agricultural systems of developed countries. There is such immense overproduction of certain agricultural commodities in the United States

that the subsidization of American farmers has been deemed absolutely necessary in keeping the agricultural economy afloat. As long as there are subsidized goods on the global market, smallholder farmers will be marginalized. This must change. I believe that one of the first steps needed to be taken to increase equality on the international agricultural market is the fundamental reworking of the agricultural systems in powerhouses like the United States. One of the first things the US government could do to reduce the amount of subsidized goods on the market is decrease its production of corn. Corn has incredibly high yields and, because of this, seems a very attractive commodity to grow. As the supply of corn in the United States has increased, however, it has begun to outweigh the demand. This accounts for the billions of dollars the US government spends subsidizing its farmers and the millions of dollars smallholder Peruvian maize farmers are losing due to the US-PFTA, which allows the free flow of untaxed, subsidized, American corn into Peru. I think that if the US government provided greater support for its farmers to begin producing more non-traditional agricultural goods instead of adding constantly to a national corn surplus, the international agricultural trade system would become more equitable. This would require a lot of change and possibly some unconventional policy initiatives, but radical steps must be taken to alter a food system becoming increasingly frail.

I believe that communities and global citizens play possibly the most important role in increasing international agricultural trade equity, however. From the food we eat to the news we watch, choices are made every day by millions of people that affect the food supply of millions of others. I think that food insecurity, farming and agricultural trade needs to be covered much more effectively by the media, so that hunger awareness, as well as the impact the current global agricultural system has on health, social structure and economy, is more widely acknowledged and so that it becomes a factor in how the people of democratic societies elect their leaders. I also think that, through fighting the issue of obesity in developed countries, and promoting an increase in consumption of fruits and vegetables instead of commercially produced, corn-fed meat and foods rich in corn bi-products like corn syrup, we could increase the demand for non-traditional agricultural goods and open up new markets, possibly even creating new jobs in non-traditional crop production, for smallholders and rural peoples in countries like Peru. As the issues of food insecurity and hunger become increasingly challenging, the need for change in the foods we eat goes hand in hand with the need for change in our global agricultural trade and production system.

Eliminating discriminatory economic trade policies is one of the most important steps to supporting our world's smallholder farmers and curtailing food insecurity among them. Without equitable access to markets, no amount of increase in food aid, crop yields or technology will guarantee food security and income growth for smallholders around the world. After the passage of the 2007 US-Peru Free Trade Agreement, Peruvian farmers became an example of the marginalization of smallholders happening across the globe due to unfair free trade agreements between a developed country and a developing country. After over half a century of unjust agricultural trade, the world continues to struggle with abolishing discriminatory barriers to smallholder farmers gaining market access. This is an incredible loss to our global agricultural system, because not only would greater support for our world's smallholders decrease hunger and food insecurity, but it would also help eliminate the growth and production of narcotics, as well as gender inequality in rural communities. It is up to each and every one of us to speak out against free trade agreements and the negative repercussions they have on smallholders. Through addressing this issue we will be taking steps to not only to assist smallholder farmers but to reworking a global agricultural system in need of change. This must occur if we are to successfully provide food for a booming population and a developing world.

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