CHAPTER TEN

THE EPA AND THE FOOD AND FUEL CRISES

Introduction

The US badgered the EU to liberalize its trade relations with the former European colonies that now comprise the ACP Group of countries. The EU and the ACP countries resisted US pressure until they EU finally caved-in and sacrificed the ACP countries at the altar of US-led market liberalization. The liberalization of the EU trade relations with the ACP countries takes the form of EU-inspired economic partnership agreements (EPAs). The EPAs tie the ACP countries to indefinite mercantilist trade arrangements with the EU giving rise to the phenomenon identified as EU bloc imperialism.

The EPA will continue to operate on neoliberal policy measures that have stimulated the fuel and food crises, and therefore it only harbors more of those kinds of problems for the ACP countries in the future. The food crisis resulted from rising prices for food due to neoliberal policies that led to the folding of agriculture in the developing countries and increasing their dependence on agricultural imports supplied by the European and US agricultural transnationals. Also, fuel price increases resulted from neoliberal policies – marketization and democratization – that led to the invasion of Afghanistan and Iraq, and the expansion in demand for fuel due to neoliberal globalization. The food and fuel crises are connected because the increase in fuel prices bring about a rise in the price for food creating a food crisis, which in turn reduces food security or increases food insecurity that negatively reverberates throughout the economy.

As the ACP countries liberalize their economies due to pressure from US-led globalization in the form of structural adjustment, and EU bloc imperialism through the EPAs, the US is at the tail end of its globalization experiment. It has made a turn to open state-interventionist and protectionist policies that it forced the EU to dismantle in its trade relations with the ACP countries. The US is currently promoting a “buy America” and not a market liberalization strategy to dig itself out of its current recession. The ACP countries are in a state of confusion as they liberalize their economies at the dictates of the
US-led globalization and EU-led EPAs, while the US and EU engages in state-interventionist and protectionist measures, nationalizing banks and other companies in the major industries.

The purpose of this chapter is to explore the link between the EPA and the food, and fuel crises now impacting the ACP countries. It takes the position that neoliberal policy prescriptions are the main link between them. Neoliberal policies, the very measures that are the foundation for the EPA, are the main causes of the food and fuel crises. It explores this issue in the light of the CARIFORUM-EU EPA, focusing first on the problems in the Caribbean’s agricultural sector that bolster the food crisis and food insecurity in the region. It analyzes neoliberal views to downplay Caribbean agriculture, the food crisis, food security, and policies to combat these issues in the region. The second part focuses on the fuel crisis in the Caribbean region and the possible role of Petrocaribe as a solution to the problem.

The food and fuel crises are a result of neoliberal market liberalization policies to deregulate the agricultural, energy and financial sectors. The solution to these problems would require the ACP states to step back from those policies and to re-evaluate the role of the developmental state in the process of economic development. This needs to be the case especially because the developed countries have never really fully embraced market liberalization in agriculture and currently are stepping back from market liberalization in the financial sector and in some manufacturing industries.

Food price increases have resulted in millions of additional malnourished people worldwide, but there are inadequate policies to address the problem. In general, governments have adopted fiscal, policies, monetary and exchange rate policies, and trade and other policies to deal with the food crisis. Fiscal measures include “reductions in fuel and food taxes and tariffs, increases in universal subsidies, expansions in transfer programs, and public-sector wage increases.”¹ Monetary and exchange rate policies are implemented to stave off headline and generalized inflation, while trade and other policies include export restrictions and export taxes focused on key food items such as rice and cereals.²