

Center for American Progress



RESOURCES FOR
GLOBAL GROWTH



**CONFERENCE PROCEEDINGS: RESOURCES FOR
GLOBAL GROWTH**

**“RESOURCES FOR GLOBAL GROWTH: LINKING
AGRICULTURE, ENERGY AND
TRADE FOR THE FUTURE”**

INTRODUCTION AND WELCOMING REMARKS:

**JOHN D. PODESTA,
PRESIDENT AND CEO,
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Introductions and Morning Keynote Address

JOHN PODESTA: Good morning everyone. We're about to begin. I'm John Podesta. I'm the president of the Center for American Progress and I'd like to welcome you to today's conference on "Agriculture, Energy, and Trade in the 21st Century." Thank you for braving what Washington considers bad weather. I grew up in Chicago, so it's a little bit different out there. Just a couple thank yous at the beginning. I really want to – a special thanks – you'll hear from her a lot later – to Gayle Smith, who really runs our program in this arena, and she has a great team working with her: Peter Ogden, Jake Caldwell, and Rebecca Schultz, who put together that little booklet on biofuels, which is terrific. I hope you all take it and stick it in your pocket and carry it around with you. And Rebecca did that in conjunction with the Energy Future Coalition and I want to recognize Reid Detchon, who is the executive director and our great partner in our work in this area.

A week from today, negotiators representing the 148 member countries of the World Trade Organization will gather in Hong Kong to undertake what was supposed to be the final session of the Doha Development Round, a series of trade talks aimed at ensuring that global trade reflects the needs, aspirations, and potential of the world's developing countries to engage in the world economy. Sadly, all signs indicate that the Hong Kong meetings will not take us over the finish line and that we will not reach a deal on the central issue now dividing the developed and developing worlds, and that's agricultural trade.

In failing to reach an agreement, we're failing billions of people who depend on agriculture for their survival. The G20, the block of developing countries that is pressing the United States and the European Union to liberalize our agricultural policies, represents 60 percent of the world's population and 70 percent of the world's rural population. Their position was shaped and defined largely by cotton farmers in West Africa, farmers who earn on average less than \$35 a month and from whom cotton was once "white gold," but it is now in the words of the president of Mali, "a burden and a cause of poverty." For these farmers, the over \$4 billion the United States pays out annually to American cotton farmers this year translates into \$250 million in direct losses and \$1 billion in indirect costs, primarily because our heavily subsidized cotton floods the world markets and depresses prices.

There are many problems at the heart of global poverty ranging from good governance to corruption and conflict, to the availability of marketable natural resources, but that cannot mask the fact that the world's poorest countries' inability to compete in the global agricultural market has great consequences for the world's poorest countries and for the poorest people in those countries, and indeed, I think, for all of us.

More than 50 developing countries rely solely on the export of two or three commodities, like cotton, to finance their national economies, yet over the last 25 years the real dollar price of 41 to 46 of the leading commodities has fallen. Poor countries are poorer as a result. Even with the expansion of global trade, 54 countries are poorer today than they were 15 years ago and poverty levels in Africa have increased 43 percent over the last decade.

As I believe you know, farmers in West Africa took action. They pushed their governments to press their case in world trade talks. Last year, Brazil took the matter to the WTO, filed a challenge against American cotton subsidies, and won. And so today we're faced with a challenge: if we want to see a successful conclusion to the Doha Development Round and if we want to send the signal to the developing world that sweeping economic liberalization they have undertaken over the last 15 years will be matched by our own, we must confront and act upon the trade distorting impact of some of our agricultural policies.

The Bush administration has put forward a plan to cut subsidies, but I believe that plan is flawed for two reasons. First, it's, I think, unlikely to gain approval from Congress from either Republicans or Democrats. And second, and I think more important – perhaps it's the reason for the first – it proposes to cut subsidies without offering an alternative plan for rural America. The Center for American Progress has a different strategy for moving forward and one that we believe offers the potential of a win-win future for America's family farmers and a more even playing field for the world's poorest producers.

Our view is that the way to solve this problem is to empower American farmers to remain globally competitive, to expand the income they earn from the marketplace by creating new markets for America's agricultural bounty. It's reasonable to assume that because of the costly investments we make in the agricultural sector at the federal level, and given our position in agricultural trade talks, that American farmers are wealthy. That is in fact not true. While the 10 percent of the commodity producers who collect over 70 percent of our agricultural payments are doing well, rural Americans are in trouble. Hundreds of family farms are shutting down every month, 88 percent of rural counties in America suffer from persistent poverty, 20 percent of kids living in rural America live well below the poverty line.

Our strategy is focused on improving the lives of farming families at home and abroad and rests on three critical elements. First, we must invest in the capacity of American family farmers to lead our nation into the future, a future of domestic energy production, increased prosperity, and greater security. By bringing the innovations afforded by biofuels and emerging bio-industries to bear, we can create a new generation of marketable products for family farmers. America's longstanding dependence on fossil fuels is eroding our federal budget, sending household costs through the roof, and damaging our environment. And global oil reserves are being depleted faster than new reserves are being discovered.

America's longstanding dependence on fossil fuels is also distorting our foreign policy, forcing us to pay and protect dictators and despots, even as we champion the cause of democracy. We have the potential to produce the bulk of our liquid fuels needs right here in the United States from agriculture. Energy crops can be produced in almost every region in the United States.

An agricultural economy that runs on renewable energy will provide two new and potentially substantial markets for farmers to enter. One for the energy products and one for the tradable carbon credits that are the mechanism of tracking emission reduction. An agricultural economy based on food, fiber and energy production will generate higher incomes for American farmers and bring jobs to rural America. Farmers who today own shares in ethanol plants have recouped gains(?) equal to 50 cents per bushel; and in Minnesota, by processing corn products rather than exporting raw corn, the value per bushel for the farmer has doubled.

Meanwhile, biomass can substitute not only for energy inputs, but a range of industrial and chemical inputs from the production of plastics, solvents, alcohols, and lubricants, and we're seeing that happening today in the marketplace.

Second, we propose that the federal government make the investments needed to jump start and sustain an agricultural economy driven by renewable energy and innovation, with some of those investments coming from the redeployment of funds now invested in export subsidies.

We propose investments in five key areas: one, research and development for genomics and other key scientific and technical innovations. Two, investment in the infrastructure that will allow the successful deployment of biofuel production and distribution. Three, financing, including loan guarantees and other mechanisms, for new biofuel production projects to promote deployment. Four, investing in risk management and other tools required by American farmers to shift into energy production. And five, market development, including for example the renewable fuel standards that can extend consumer choice and bring consumers to new energy markets.

The third prong of our strategy takes us back to the developing world where we propose protecting the investments we'll eventually make in a successful development round of trade negotiations. On the surface, it's easy to assume that American farmers and African farmers and developing country farmers are on the opposite sides of the fence, when in reality what unites them is far greater than what divides them. As do our own family farmers, the world's poorest farmers want a fair price for their products, the ability to add value to what they produce, and the means to increase income and reduce cost. We propose, therefore, that we also invest in breaking down non-tariff barriers that constrain economic development for those countries by focusing foreign aid investment on agriculture, and particularly increasing the capacity of the world's poorest countries to produce value-added exports and to create the infrastructure to get those products to markets, to expand market access for the world's poorest countries; and importantly, sharing with the developing world the know-how that can allow them to reduce the high

cost of their own oil imports, make energy more affordable and accessible to rural communities, and potentially open new sub-regional markets for the transfer of emerging bio-based energy technologies.

Ours is an ambitious strategy and one that importantly (inaudible) goal, that the goal is to improve the lives and livelihoods of family farmers both at home and abroad. Throughout the course of the day, we'll hear much more about the strategy from people who come at these issues from a diverse range of perspectives.

Now it's my pleasure to introduce someone with a perspective that's critical to our understanding, the man who knows more about America's family farmers than perhaps any of us in this room: Senator Tom Daschle, who I'm happy to say is now a distinguished senior fellow at the Center for American Progress. Throughout his career in the Senate, Tom Daschle annually scheduled something called "unscheduled driving time." I understand that in 2004 he did that in an E-85 vehicle and maybe we'll hear more about that.

He would get behind the wheel by himself to crisscross South Dakota, to listen to his constituents, most of them family farmers. Senator Daschle has committed himself to addressing their problems, but also – and he always brought this to the Senate – to invest in their potential, to give them the better lives that they would work hard for. We believe there is no better person to kick off our discussion than the man who has invested his career in ensuring that America's family farmers work for America and that America works for them.

It is my pleasure to introduce to you Senator Tom Daschle.

(Applause.)