GDAE Cites U.S. Ethanol as Major Cause of Latest Food Crisis

With drought destroying much of the U.S. corn crop and global prices setting new records every day, Timothy A. Wise has highlighted the ways U.S. corn ethanol is contributing to the problem. In particular, he has estimated the added import costs to developing countries as up to 40% of the U.S. corn crop now goes to ethanol production. His GDAE Working Paper, "The Cost to Mexico of U.S. Corn Ethanol Expansion," estimated the cost to Mexico at between $1.5 and $3.2 billion since 2005. The paper was the basis for a report by ActionAid USA, "Biofuelling Hunger: How US Corn Ethanol Policy Drives Up Food Prices in Mexico," which Wise and co-author Marie Brill released in Mexico City in May as G20 agriculture vice ministers met under Mexico's leadership. Wise and Brill presented the findings to Mexican government officials, and ActionAid later lobbied the G20 to take action to reduce biofuel subsidies and supports. The reports received widespread press attention, including a Dow Jones wire service article that prompted a response from the Mexican government (see summary of press coverage).

Wise has a new report coming out in early October on the costs to developing countries as a whole, which he estimates at $6.6 billion over six years. Central America and North Africa show particularly strong impacts, as do other Latin American partners to free trade agreements with the United States. The work is part of Wise's ongoing research and writing on the food crisis, based on his January report with Sophia Murphy, "Resolving the Food Crisis: Assessing Global Policy Reforms Since 2007." This has garnered extensive media attention, including an interview with the Real News Network, The Drought and the Coming Food Price Bubble, a debate on EuroVision TV, and an article on the Guardian's economics blog, "If we want food to remain cheap we need to stop putting it in our cars." Wise also has a forthcoming paper, with Mexican agronomist Antonio Torrent and research assistant Elise Garvey, on Mexico's untapped potential to grow most or all of its own corn and reduce or eliminate its costly imports.

GDAE Advances Proposals for Capital Account Regulation

GDAE's Kevin P. Gallagher continues to push strongly for policy space for developing countries to make effective use of capital account

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regulations, part of his ongoing work on capital flows. This summer, Gallagher was in Argentina as a visiting scholar at the Center for the Study of State and Society (CEDES), where he held a workshop on capital account regulations and trade treaties. His earlier Task Force Report, "Regulating Global Capital Flows for Long-Run Development," was co-chaired with José Antonio Ocampo and Stephany Griffith-Jones and published by Boston University’s Pardee Center. It put a sharp spotlight on the IMF's evolving rule-making on managing capital flows, with Gallagher and Ocampo presenting the findings to the IMF's Executive Board. The IMF is expected to issue its final rules in October. The second Task Force Report is scheduled for release early next year, but the group will release a policy brief before the IMF meetings on the ways in which trade and investment agreements impinge on developing countries’ ability to actively manage their capital accounts to curtail the negative impacts of speculative capital. The policy brief will also influence meetings at the World Trade Organization and negotiations on the Trans-Pacific Partnership Agreement. Gallagher presented the group's work on several occasions this summer, most notably to the Argentinian Central Bank.

The work on capital flows has generated widespread attention. Since May, Gallagher contributed to two pieces in the Financial Times: "Brazil: Emerging markets can regulate global finance" and "Historic Moment for the IMF." The first article draws upon his IPD Working Paper, "Navigating Capital Flows in Brazil and Chile." The Institute for World Economics and Politics in China will be releasing a version of the first Pardee Report in China later this year.

Globalization Program Updates

Gallagher continues work on China in Latin America

This summer Kevin P. Gallagher presented his research to the U.N.’s Economic Commission for Latin America and the Caribbean in Santiago, Chile. For a summary of this research, see the May/June 2012 edition of Foreign Affairs, which contains a review of “The New Banks in Town: Chinese Finance in Latin America,” authored by Gallagher, and co-authors Amos Irwin and Katherine Koleski. The report, published by InterAmerican Dialogue, was released in February, drawing widespread media attention with its finding that Chinese development financing in Latin America exceeds those of the World Bank, InterAmerican Development Bank, and U.S. Export-Import Bank combined. The report has become one of GDAE’s most widely quoted reports, including mentions in the New York Times, CNN, the Financial Times, and the Wall Street Journal. The report is currently being translated into Spanish, Portuguese, and Chinese for release in China and Latin America in 2013. This is part of GDAE’s continuing work on China’s growing role in the region. That work will include an expert working group on the environmental and developmental impacts of Chinese trade and investment in Latin America.

GDAE Announces 2013 Leontief Prize Winners: Albert O.
Hirschman and Frances Stewart
On March 7, 2013, GDAE will award the 2013 Leontief Prize to two of the world’s leading development economists: Albert O. Hirschman and Frances Stewart. The Leontief Prize recognizes outstanding contributions to economic theory that address contemporary realities and support just and sustainable societies. Visit our website to learn more about the recipients.

GDAE Featured as Grantee by Rockefeller Brothers Fund
The Rockefeller Brothers Fund, a core supporter of GDAE’s Globalization and Sustainable Development Program since its inception, now features the institutes’ work on its newly redesigned web site. It starts:

Studies conducted by Tufts University’s Global Development and Environment Institute (GDAE) may occasionally gather dust, but it’s the dust from agricultural fields or factory floors. “University studies often collect dust on shelves because they are not made relevant to the groups that need the information,” said Tim Wise, director of GDAE’s research and policy program. Wise and his colleagues want to make sure that their studies speak directly to the interests of policymakers and advocates, even farmers and other workers whose livelihoods are affected by globalization. That means “reforming the way economics is practiced,” Wise said, by combining the independence and rigor of academic research with the practical needs of those on the front lines. Read rest of the article.

GDAE Presentation to Oxfam
GDAE Research Fellow Lyuba Zarsky skyped in for a presentation with Timothy A. Wise at Oxfam’s Boston office on GDAE’s report, Searching for Gold in the Highlands of Guatemala: Economic Benefits and Environment Risks of the Marlin Mine.

Update on the Triple Crisis Blog
GDAE’s successful Triple Crisis Blog, launched three years ago with the Heinrich Boell Foundation US and the India-based Economic Research Foundation is now under the direction of Gerald Epstein at the Political Economy Research Institute (PERI) at the University of Massachusetts, Amherst. PERI’s vast range and capacity will help Triple Crisis continue to be an important and critical North-South collaboration on global economic policy. GDAE will remain active on the blog’s editorial board and as contributing writers.

Global Development and Environment Institute
Tufts University
44 Teele Ave, Somerville, MA 02144
P: 617-627-3530 | gdae@tufts.edu

"The Costs of U.S. Ethanol Expansion to Developing Countries," Timothy A. Wise, GDAE Working Paper

Globalization and Sustainable Development Program examines the economic, social and environmental impacts of economic integration in developing countries. The goal of the program is to identify policies and international agreements that promote sustainable development.

Visit our website to learn more.