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GLOBAL GEORGIA:

A five-part editorial series on the Peach State in the world economy

U.S. cotton subsidies
a mix of give and take

EDITORIAL

Farmers call them inputs — the things that have to be added by man, not by nature, to harvest a good crop.

In Georgia, the inputs needed to bring in a good crop of cotton include fertilizer, pesticides and high-grade, undiluted, government-issue hypocrisy.

The U.S. government, supposedly the global champion of free trade, paid \$104 million in taxpayer money in 2002 — the most recent year for which numbers are available — to encourage Georgia farmers to grow cotton. That amounts to a subsidy of more than \$60 for each bale of cotton grown in the state. (Nationally, Uncle Sam spent an estimated \$1.7 billion in subsidies that year to make cotton farming profitable.)

Those subsidies directly contradict the premise underlying free trade and globalization, which calls for industries to compete on their own merits, without financial help from government. They may also violate international law. Responding to a challenge from Brazil, the World Trade

Organization has tentatively ruled that U.S. cotton subsidies are illegal, a decision that the WTO may finalize as early as this week.

By many measures, though, the subsidies have also been a roaring success. For example, they've encouraged so many farmers to grow cotton that the United States now accounts for 40 percent of world production.

Much of that U.S.-grown cotton is sold to China, partially offsetting our \$124 billion trade deficit with that country. (Of course, China later sends that same cotton back to us in the form of T-shirts, sheets and pants, compounding our original problem.)

Cotton subsidies have also kept thousands of American jobs — 50,000 in Georgia alone, by one estimate — from being exported overseas. By doing so, they have preserved small-town life in places such as Vienna and Moultrie, where cotton farming is an integral part of an otherwise struggling local economy.

In other words, hypocrisy does have its rewards, which may explain why we have so much of it.

Support, stability crucial to farmers

EQUAL TIME

By CHUCK COLEY

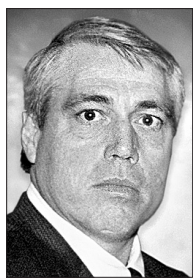
I am concerned by the recent rash of negative publicity given to U.S. agriculture in general and U.S. cotton producers in particular. Invariably, these criticisms are based on a distorted view of the role of farm programs and ignore farming's challenges.

It appears that many have lost sight of agriculture's importance to the U.S. economy. Annually, this country's food and fiber industries employ 25 million people, produce output valued at \$3.5 trillion, and account for 15 percent of the U.S. gross domestic product.

In rural America, agriculture's importance to local economies is even greater.

In 2002, the United States enacted a new farm bill, which has come under constant criticism and has even been portrayed as a lavish handout to corporate farms.

Nothing could be further from the truth. This law provides an important safety net for production agriculture and does so in a fiscally responsible manner. Spending under the law is much less than originally projected. The programs in that legislation help protect farmers from the vagaries of



Chuck Coley is a cotton farmer in Vienna, Ga.

weather and commodity markets while allowing them to respond to market signals and not distort overall production and prices.

Why is this stability and safety net so important to farming? America's farmers face greater risks than the vast majority of businessmen, but without the corresponding upside reward potential. There are so many factors they cannot control: a strong dollar, unanticipated oversupply in high production years, depressed prices and destructive natural events that can wipe out an entire crop. An effective farm program is essential for providing stability in production, financing and marketing, and in a broader sense, underpins the overall rural economy. And a strong rural economy benefits Atlanta and all of Georgia.

Another overlooked fact is the scope of programs covered by farm legislation. Overall outlays are quoted without mentioning that the

spending also covers numerous conservation and nutrition programs benefiting all Americans. Also going without mention are the important insurance programs and the authorization for national and international food donation programs.

Recent attempts to portray U.S. farm programs as the root of the problems in world commodity markets are simply wrong — but that does not keep them from being repeated as gospel over the Internet and by the news media.

Georgia farmers compete in a global economy, where many of our competitors are subsidized or their markets are protected from competition. The world agricultural system is rampant with governmental policies that distort markets and prices. Few of those governments have policies that are as transparent as the United States'. The cotton market faces additional pressures caused by heavy subsidization of synthetic fibers, such as polyester, in many Asian countries.

Efforts are under way to address agricultural programs in the World Trade Organiza-

tion. The United States has repeatedly proposed significant agricultural reforms, but its proposals have been rebuffed by countries that wish to maintain high levels of protectionism. Our competitors hope that the rash of misguided criticisms will force the United States to capitulate and not obtain an equitable international agreement. U.S. agriculture is unanimous in its determination that a new WTO agreement must address all aspects

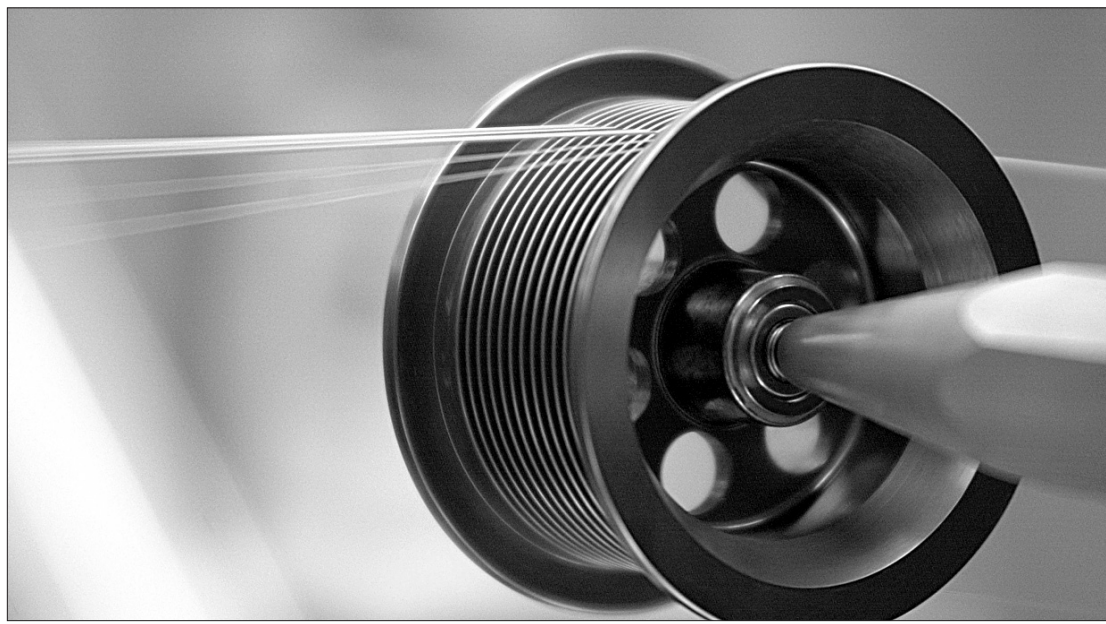
of subsidies and market protectionism across all countries and commodities.

It is vital that the United States maintain a stable, predictable and equitable farm policy. Such policy supports rural America and permits U.S. consumers continued

access to the safest, most affordable and most secure supply of food and fiber in the world. Discarding effective farm programs would have detrimental results. The United States cannot afford to unilaterally disarm. I would hate to see our nation become as dependent on foreign-produced food and fiber as we are on energy.

The world agricultural system is rampant with governmental policies that distort markets and prices.

OTHER VIEWPOINTS

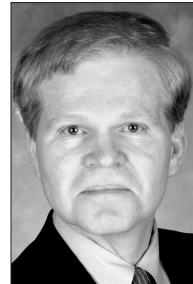


BITA HONARVAR / Staff

The optical fiber industry has an unemployment rate of 75 percent. The number of new Ph.D.s in the field has dropped by half and master's and bachelor's degrees by two-thirds.

Regulations scuttle
fiber-optic industry

By PAUL NEUHART



Paul Neuhart is president and chief operating officer of OFS, a manufacturer of fiber, fiber cable, specialty photonics and connectivity products headquartered in Norcross.

The whole of the economy is roaring back, but the telecom sector remains dangerously behind.

Fiber optics, Internet and broadband deployment are critical to our economy and, unless the federal government provides relief from the regulatory anarchy, the overall recovery is in peril.

While the Great Depression saw an unemployment rate of 33 percent, and the overall telecom industry currently has an unemployment rate of 50 percent, the optical fiber industry has an unemployment rate of 75 percent.

The number of new Ph.D.s in the field has dropped by half and master's and bachelor's degrees by two-thirds, losses that threaten the viability of an industry dependent on optics, electronics and materials science.

Besides my company's Norcross factory, which is capable of producing the high-technology transmission fibers

our future network will require, only a few others in the world are capable of meeting the future need for high-technology fibers.

If these plants close, it will take 10 years to 20 years to reconstitute this manufacturing ability. If that happens, we'll have to buy lower-technology fibers from India or China that will slow down our network growth and make us dependent on those nations.

Fiber-optic lines transform Internet connections from the plodding rates of the 1-3 megabit-per-second speeds of today's broadband to tomorrow's dazzling broadband of 10 or 20 megabits and more.

At such speeds, the Internet truly becomes revolutionary — movies, video messages, interactive conferences or games move globally in seconds, transforming health care, education, business and entertainment. Experts predict widespread broadband would streamline manufacturing,

inventory and transportation costs, saving U.S. businesses \$200 billion annually.

Such service is common in South Korea, Japan, Canada and Europe. The United States, however, ranks an abysmal 11th in the deployment and adoption of broadband.

President Bush has outlined a bold vision for universal access to broadband by 2007. Yet unless some certainty is brought to the anarchy of telecommunications regulations, it will prove unrealistic for local carriers to significantly invest in the network upgrades required both to make universal broadband a reality and end the depression that has devastated the industry.

Telecommunications in the United States is a heavily regulated enterprise, not a free-market industry. Every investment decision is shaped (and distorted) by regulations.

Policy-makers and industry leaders must work together on market-oriented, not government-managed, policies for America to regain leadership in telecommunications. If they don't, American technological leadership will continue to slip — and at least one strategic industry may be lost for good.

Piracy of U.S. entertainment
reaches global proportions

Jack Valenti, president and CEO of the Motion Picture Association of America, testified June 9 before the Senate Foreign Relations Committee on intellectual property piracy. Here are excerpts:

The copyright industries are responsible for more than 5 percent of the gross domestic product of the nation. Over the past quarter century, these industries' share of GDP grew more than twice as fast as the remainder of the economy. They earn more international revenues than automobiles and auto parts, more than aircraft, more than agriculture.

No other American industry alone has a surplus balance of trade with every single country in the world. And all this comes at a time when the United States is suffering from some \$400 billion in trade deficits.

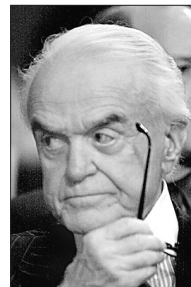
The spread of theft of America's creative works flows like a swiftly running river in every nook and cranny of this planet.

Today, I'd like to focus on China and Russia, where the problems are large and growing at an alarming rate. In both countries, organized criminal groups play a large role in the replication and distribution of pirated DVDs. And in both countries, the piracy problems are spilling out beyond their borders to infect markets all around the world.

We also have serious piracy problems in Brazil, Pakistan, Malaysia, Taiwan and Thailand, as well as many other countries.

Stolen films, usually captured by sophisticated camcorders in theaters or in special preview screenings, are uploaded to the Internet and available to individuals to download in any country in the world.

Camcordered copies of our films also find their way to the pirate DVD production centers, including China, Russia, Malaysia, Thailand and Pakistan, where they are used as master copies in the illegal replication plants.



Jack Valenti says piracy is "growing at an alarming rate" in China and Russia.

For a decade, American film companies have engaged in a concerted effort to penetrate the Chinese entertainment market. Despite a pair of trade agreements, strong support from the U.S. government, steady investments in relationships and projects and a continual dialogue with Chinese authorities, the

predicament of America's filmed entertainment industry in China is grim. Piracy has reached a level not seen since 1995, and market access barriers continue to thwart efforts to deliver legitimate film and home entertainment programming to Chinese markets.

Chinese policy has continued to lag far behind what has been promised by authorities.

Formal market access barriers remain in place, including a government monopoly on film importation, quantitative limits on imports, a slow and cumbersome censorship process, limits on the

retail sale of legal home entertainment and restrictions on foreign investment.

Ironically these restrictions further tilt the market environment in favor of the pirates, who obey none of the government regulations, while reaping at least 95 percent of the market's sales.

In order to curtail the excessive levels of piracy in China, China must take the following steps:

► Strengthen focus, coordination and effectiveness of the various Chinese enforcement agencies through strong direction from the top Chinese leadership.

► Build consumer awareness of the dangers and penalties of engaging in piracy.

► Establish credible legal deterrents to piracy to include the lowering of the criminal threshold for copyright violations.

► Create strong, well-coordinated local enforcement entities such as that in Shanghai.

► Take concrete steps to improve market access and eliminate obstacles to distribution in the theatrical, home video and television markets.



New York Times

Pirated DVD copies of "The Matrix Reloaded" appeared in Guangzhou, China, in August 2003, just as the movie opened in theaters there. Millions of Chinese purchase unauthorized copies of DVDs, CDs and software, despite U.S. companies' complaints and the Chinese government's efforts to comply with international copyright laws.

