

WRITTEN QUESTION E-5628/08
by Johan Van Hecke (ALDE)
to the Commission

Subject: Policy on subsidies in Malawi

In 2005, there was a famine in the African country Malawi. More than 5 million people needed food aid. Now Malawi is exporting large quantities of maize. This year, 2.6 million tons of maize was apparently harvested - a record figure. In 2006 and 2007, farmers harvested approximately three times as much grain as in 2005.

Many commentators say that the reason for this sudden change of fortune lies in the subsidies granted by the Government of Malawi for seed and artificial fertiliser. In 2006 the then President of Malawi, Bingu wa Mutharika, decided to supply poor farmers with massive quantities of artificial fertiliser at one fifth of the market price. The international donor community was critical of this initiative. The World Bank, the International Monetary Fund and other international donors are generally against subsidies because they distort the functioning of the market and are a heavy burden on public budgets.

What conclusions does the Commission draw from this spectacular change in the situation? Does it fear that the change will only be of brief duration, or does it confirm the positive impact of the subsidies on Malawi's economy?