

1225 Eye Street, N.W.  
Suite 500  
Washington, DC 20005  
www.sugaralliance.org  
(tel) 202/457-1438



BACKING AMERICA'S BEET, CANE AND CORN FARMERS

## **American Sugar Alliance (ASA) Position on WTO Negotiations and Cancun Framework Proposal for Agricultural Negotiations**

### **Free Trade Position**

The ASA endorses the goal of genuine global free trade in sugar. American sugar producers are efficient and among the world's low-cost producers. We would welcome the opportunity to compete with foreign producers on a level playing field free of government intervention.

The world sugar market is highly distorted by a vast array of subsidies and other trade-distorting programs, both direct and indirect. We have identified for the Administration the most important of these programs. The only way to achieve the goal of free trade in sugar is through sector-specific, comprehensive, multilateral negotiations in the WTO – all countries, all programs. Trade liberalization must include developing countries, which provide three-quarters of the world's sugar production and exports.

### **Cancun Framework Proposal: Grave Concerns Remain**

ASA supports a successful Doha Round and, therefore, recognizes the need, at this stage in the negotiations, to narrow differences and establish a structure for reaching agreement on modalities – the aim of the framework proposal contained in the Draft Ministerial Declaration. Because the framework contains very few numbers, it is impossible to assess adequately its potential impact. The tough decisions, which will determine the actual effects of the negotiations, are put off to the future. It is clear, however, that while there are some positive developments in the framework proposal, there are some very disturbing elements. Two of our greatest concerns:

- Excessive special and differential (S&D) treatment for developing countries, which account for 75% of sugar production and trade.
- Continued failure to address the many indirect or less transparent trade-distorting policies that do not fall conveniently into WTO categories of domestic support, import access, and export competition. Examples include government ownership and control, cross-subsidization, indirect export subsidies, forced dumping, and currency devaluation. These policies must be addressed to curb the pervasive dumping that characterizes the world sugar market.

The Administration must correct these and other flaws at Cancun if the negotiations are to lead to a successful outcome for the world sugar market, for the U.S. sweetener industry, and for all of U.S. agriculture.

### **Cancun Framework Proposal: More Specific ASA Comments, Concerns**

#### **Export Competition**

- Agreement on the elimination of export subsidies for products of particular interest to developing countries is a step forward. Sugar is an obvious candidate for this list and this should be clarified as soon as possible.
- Elimination of export subsidies for all products, in all countries, must be achieved as part of the final outcome of the negotiations.

- The framework language on state-trading enterprises (STE's) is weaker than that in the US-EU proposal or the Harbinson text; this should be reversed at Cancun.
- The current text will not significantly address the pervasive dumping of sugar onto the world market.

### **Market Access**

- Recognition of the need for a different approach for import-sensitive products is a positive development. If other WTO members are unwilling to undertake the fundamental changes in their trade-distorting policies, and fundamental reform of the grossly distorted world sugar market fails to occur, the U.S. must not concede changes in the U.S. import program for sugar.
- ASA shares the Administration view that the introduction of a completely separate market access scheme for developing countries, including the concept of special products, is unacceptable and must be corrected. This proposal could result in the evasion of any meaningful commitments by developing countries. Absent developing-country reforms, the Doha Round would not reform the highly distorted world sugar market and would be of little value to the U.S. sweetener industry or to U.S. agriculture.
- Quota-free access for least developed countries would render tariff-rate quota import programs inoperable and undermine the benefits the TRQ programs provide to developing-country participants.

### **Domestic Support**

Several elements in the framework combine to point the negotiations in the direction of harmonizing domestic support levels – a key U.S. goal.

- U.S. supports must not be cut unless we achieve real harmonization of support levels, and hard commitments by other WTO members on other trade-distorting policies, which will reform the world sugar market and bring real benefits to U.S. agriculture.
- New loopholes in special treatment for developing countries could negate the potential benefit to the world sugar market of reductions in developed-country supports.

### **Other Trade-Distorting Policies and Practices**

ASA remains deeply concerned that the negotiators have not yet developed, nor shown any inclination to develop, an approach to deal with the myriad trade-distorting policies that do not fall neatly into WTO categories, and are especially egregious in the sugar sector.

We reiterate our call for a sector-specific approach encompassing all significant policies and practices that distort the world sugar market.

# American Sugar Alliance Position on World Trade Organization Negotiations

The ASA has long endorsed the goal of global free trade because U.S. sugar and corn sweetener producers are efficient by world standards and would welcome the opportunity to compete on a genuine level playing field. While the ASA supports the goal of free trade, we have serious concerns about past agreements and about the structure of future multilateral or regional trade agreements. Listed below are our specific recommendations regarding negotiations of the World Trade Organization.

1. **Compliance.** Compliance with past agreements, in particular, the Uruguay Round Agreement (URA) of the WTO and the North American Free Trade Agreement (NAFTA), must be achieved before the United States forges any new agreements. The United States, and any other country that has surpassed its URA commitments, should be given credit for doing so before being required to make further cuts in the next trade round.
2. **Catch-up.** The United States must not reduce its support for agricultural programs, particularly for import-sensitive crops such as sugar, any further until other countries have reduced their support to our level.
3. **Export subsidies / STE's.** Elimination of export subsidies, the most trade distorting of all practices, and of state trading enterprises (STE's), which were ignored previously, must be given top priority in the next trade round.
4. **Labor and environmental standards.** The wide gap in labor and environmental standards between developed and developing countries must be taken into account in the next trade round, to provide both incentives and penalties that ensure global standards rise to developed-country levels, rather than fall into developing-country levels. Nearly three-quarters of the world's sugar is produced in developing countries.
5. **Negotiating strategy.** With regard to future tariff reductions, the traditional, flexible, "request/offer" type of negotiating strategy must be followed in the next trade round, rather than the rigid, across-the-board, formula approach that was used in the URA. This is the only way to recognize the enormous diversity, and varying sensitivities, among agricultural industries and commodity markets.

## Florida Farmers Dispute Claim of Benefits of 'Free Trade' Brazilian Style

### Brazilian subsidies continue; American jobs would be sacrificed

CANCUN, MEXICO — September 11, 2003 — Brazil's version of “free trade” in sugar falls dramatically short of its definition, said Robert Coker, senior vice president of U.S. Sugar Corporation. Sugar has been cited as one of the important issues to come before world trade leaders at a meeting this week of the World Trade Organization (WTO) in Cancun, Mexico.

“What Brazil wants is to have their cake and eat it, too,” said Coker. “They want to put thousands of Americans out of work so that they can dump their surplus sugar into our market. That surplus is the direct result of their government continuing to line the pockets of wealthy Brazilian producers with a variety of subsidies.”

Brazil's ambassador to the United States, Rubens Barbolsa, said yesterday, “these (WTO) trade talks will succeed or fail based on what progress we make on this issue. We believe free trade means free trade.” Coker says, however, that “free trade Brazilian style means that their government continues its heavy support of the country's ethanol program which absorbs 57 % of Brazilian sugar. The actual farm workers would see little, if any, of the benefits received by the wealthy owners.”

World free trade will not be achieved with negotiations that merely grant further access to our markets without getting to the heart of the problem -- a worldwide surplus of sugar that is the direct result of foreign governments' many trade distorting policies that have not been addressed by the WTO.

Last week, Brazil led a coalition of 20 nations that submitted a proposal to ease barriers to agricultural trade, especially in sugar, in opposition to an earlier proposal from the United States and European Union to create a more level playing field in reducing tariffs and other import restrictions on a much broader scale.

Coker said, “American sugar farmers endorse the goal of genuine global free trade in sugar, but demand that it be done on a level playing field. We welcome competition, but free of all government intervention.”

Because the world sugar market is so grossly distorted by widespread government intervention, American farmers believe, reform must be global and comprehensive, not piecemeal. They believe the only way to achieve the goal of free trade in sugar is through sector-specific, comprehensive, multilateral negotiations in the World Trade Organization (WTO) — all countries, all agricultural programs. “This outcome can only be achieved in here at the WTO level,” said Coker.

### Florida Farmers Dispute Claim Of Benefits Of 'Free Trade' Brazilian Style

Despite the high costs for labor and stringent environmental standards and a strong dollar, American sugar and corn sweetener producers remain among the lowest cost producers in the world. American sugar producers are efficient and among the world's low-cost producers.

“Our farmers can compete one-on-one with other farmers around the world, but not with foreign governments. Until all trade-distorting practices are removed, a minimal U.S. sugar policy of border protection must remain in place,” said Coker.

Coker said, “U.S. sugar farmers support a successful Doha Round and, therefore, recognize the need, at this stage in the negotiations, to narrow differences and establish a structure for reaching agreement on modalities - the aim of the framework proposal contained in the Draft Ministerial Declaration. Because the framework contains very few numbers, it is impossible to assess adequately its potential impact. The tough decisions, which will determine the actual effects of the negotiations, are put off to the future.”

“We must correct these and other flaws at Cancun if the negotiations are to lead to a successful outcome for the world sugar market, for the U.S. sweetener industry, and for all of U.S. agriculture,” commented Coker.

“It is not surprising that a number of countries that over-produce sugar, like Brazil and Australia, are at the forefront of the efforts to dismantle the U.S. and European Union farm programs so that they can flood our markets with their surplus sugar. Dumped sugar, which sells for prices below the country's cost of producing it, would displace not only American sugar and eliminate thousands of American jobs, but also would displace the sale of sugar from Caribbean Basin Initiative (CBI) countries and others who currently supply sugar to the U.S. market and depend on the income from those sales,” Coker said.

“Until there is fundamental reform of the grossly distorted world sugar market, we can't just sit back and allow American farmers and the rural communities that depend on these farms to be victimized by bad trade agreements,” Coker said.