

Leaflet 1. Sugar and the World Trade Organization

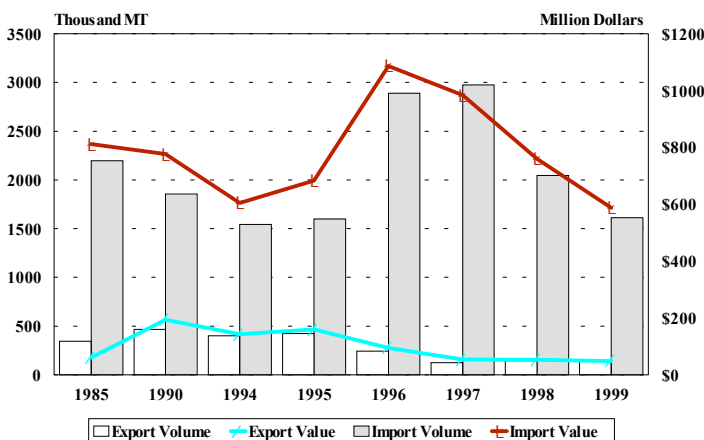
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Trade Situation and Outlook

The Uruguay Round created the World Trade Organization (WTO) and established disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. Although some have questioned the amount of trade liberalization actually achieved during the Uruguay Round, if nothing else its legacy for future negotiations includes the binding of tariff levels. Country-specific Uruguay Round commitments for sugar and related products are as follows:

The United States. The United States replaced the tariff-rate quota for sugar with a tariff equivalent of 17 cents/lb, raw value. Further, the U.S. agreed to reduce this the minimum required 15 percent to 14.45 cents/lb by the year 2000. The Section 22 fee of 1 cent/lb for refined sugar and syrups was also to be reduced by the minimum required 15 percent over 6 years. The U.S. established a tariff-rate quota of 1,117,195 tons for raw sugar and 22,000 tons for other sugar and syrups effective in the first year of the agreement.

U.S. Sugar Trade, 1985 - 1999



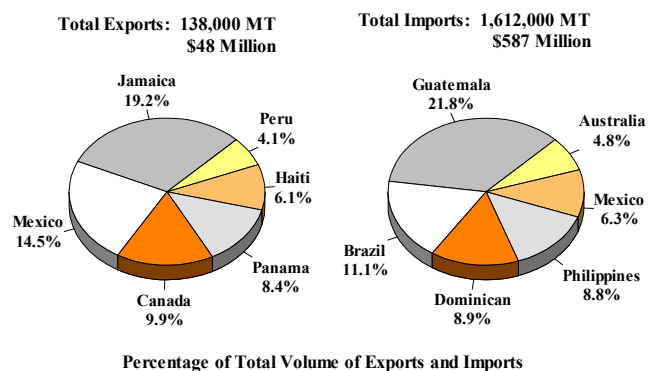
Source: FATUS

The United States agreed to replace Section 22 quotas with tariff-rate quotas at their then current levels for sugar-containing

products. However, the quantity historically imported as mixed condiments and seasonings was to be separated from the other quotas and increased to a total quantity of 700 tons. The over-quota tariff rates for these products was based on the tariff equivalent for refined sugar, and scheduled for reduction by the minimum required 15 percent in equal annual installments over 6 years.

The European Union. The E U agreed to reduce the quantity and budgetary outlays for export subsidies from the base period level. In the year 2000, the EU's maximum annual

U.S. Sugar Exports and Imports, 1999



Source: FATUS

allowable quantity of subsidized sugar exports was to be 1,277,000 tons, 340,000 tons below the average quantity of subsidized exports in the 1986-90 period.

South Africa. South Africa agreed to reduce its quantity of subsidized exports of sugar by 200,000 tons by the end of the implementation period.

Japan. Japan agreed to reduce its tariff on candies, caramels, and other sugar confectionery from 35 percent to 25 percent.

The Philippines. The Philippines agreed to reduce its tariff for sweetened cocoa powder from 50 percent to 35 percent, and the tariff for

sugar confectionery from 50 percent to 45 percent.

Thailand. Thailand agreed to cut its tariffs on maple sugar confectionery and chocolate by one-third to 40 percent or 33.5 baht/kg. An exception exists for other chocolate, which was to be reduced by two-thirds to 20 percent or 16.67 baht/kg. Thailand also agreed to cut its tariffs on maple sugar and syrup and molasses containing added color or flavor from 65 percent to 30 percent.

Major Sugar Trade Issues

The North American Free Trade Agreement. Without question sugar is a commodity that enjoys high support levels in many developed countries due to the ability of sugar producers to exert influence in the formation of agricultural and trade policy. As a result, sugar receives significant protection in both the European Union and the United States. However, the elimination of barriers to sugar trade is possible as evidenced by the U.S. commitment in NAFTA to remove obstacles to sugar and agricultural-based sweetener trade with Mexico and Canada by 2008. While this signifies that progress can occur, it may also complicate the process. The period prior to free trade under NAFTA has been fraught with disputes as the Mexico and United States sweetener sectors undergo a painful fifteen-year transition. Convincing the U.S. sugar industry to tolerate increased world access to its domestic market in addition to the access already afforded Mexico will be a difficult task.

Developing Countries. Inclusion of least-developed countries within the multilateral trade negotiation process through the provision of bound duty-free access is a goal of the World Trade Organization. This is consistent with the U.S. stance that least-developed countries must be assisted to take full advantage of the trading system's potential benefits, both through technical assistance and open market measures, such as the expansion of trade preferences. To

encourage their participation in the world trading system, developing countries must have improved market access. The granting of market access to least-developed countries, while costing developed countries relatively little, would be consistent with various development objectives and foster least-developed country participation in and responsibility for the WTO. Since sugar production accounts for a significant component of the GDP in many developing countries, adoption of policies consistent with the previous discussion will likely have a negative impact on the U.S. sugar and sweetener industries. Given this, the U.S. sugar and sweetener industries will likely oppose proposals designed to stimulate international development through increased access to the U.S. sugar market.

Cuba. An additional factor to be considered is the potential impact of removing sanctions on trade with Cuba. Prior to the implementation of the trade embargo, Cuba was the largest supplier of sugar to the U.S. market. Given that their previous quota allocation was divided among other sugar exporters, either the reallocation of existing quotas or creation of additional import quotas must accompany Cuba's return to trading-partner status. While the removal of trade sanctions on Cuba by itself would create significant logistical problems, its difficulty would be compounded with further increased market access to third countries.

Given the current nature of multilateral trade negotiations, market access provisions are like Pandora's box; once the privileges have been granted they are difficult to withdraw. Policy-makers and negotiators will proceed with caution and the advice of various interest groups. Leaders in the U.S. sugar industry have indicated that they are in favor of fair trade. At the same time they underscore the necessity that other countries must reciprocate in the removal of trade barriers; the unilateral elimination of trade restrictions may not be an option.