

Sugar and the World Trade Organization (WTO): Progress To-Date¹

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This document is part of the Sugarcane Handbook's Sugar Policy series, which discusses economic and policy issues facing the U.S. sweetener industry in general and Florida's sugar industry in particular. It updates a previous fact sheet summarizing the major issues addressed in international negotiations to achieve a global free trade agreement titled "Sugar and the World Trade Organization (WTO): Major Issues" (SC055). The objective of this document is to summarize the major developments that have taken place within the WTO negotiations since the publication of EDIS SC055.

Introduction

The Uruguay Round Agreement on Agriculture (URAA), completed in 1994 under the General Agreement on Tariffs and Trade (GATT), was the first step in the process of global agricultural policy reform (SC022). The URAA included a provision for resumption of negotiations on agriculture by December 31, 1999. The November 1999 meeting in Seattle, Washington, of the WTO (which replaced the URAA) ended in failure.

Agricultural negotiations did not resume until March 2000. The 140 WTO member nations met in Geneva, Switzerland, in 2000. The three major issues discussed included:

1. Reduce or eliminate all forms of export subsidies.
2. Improve market access by lowering tariffs and reducing quotas.
3. Reduce trade-distorting domestic support.

At the 2000 Geneva meeting, WTO members agreed to establish commitments to achieve its objectives by March 2003, with the entire negotiating process completed by January 2005. What has happened in the six years that elapsed between 2000 and 2006? The following sections attempt to explain that.

WTO Negotiations, 2000 to 2006

Three major negotiations took place during that period. Additional information about each gathering is available from the negotiation summary for the

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Doha Development Agenda on the WTO website at http://www.wto.org/english/tratop_e/dda_e/negotiations_summary_e.htm)

The Doha Development Agenda of 2001

The Fourth Ministerial Conference took place in November 2001 in Doha, Qatar. This meeting intended to set the agenda for subsequent negotiations. In that regard, it can be considered successful. The November 2001 Declaration provided a mandate for negotiations on a range of subjects and other work. The negotiations included those on agriculture and services, which began in early 2000.

The ministers also approved a linked decision implementation in an attempt to solve problems faced by developing countries when implementing current WTO agreements. That original mandate was later refined by gatherings at Cancun, Mexico in 2003; Geneva, Switzerland in 2004; and Hong Kong in 2005. In a final attempt to negotiate, the ministers met again in Geneva, Switzerland in July 2006.

The 2003 Conference in Cancun, Mexico

The Fifth Ministerial Conference, which took place in September 2003, was intended as a stock-taking meeting where members would agree on how to complete the rest of the negotiations, but the meeting was soured by discord on agricultural issues and ended in deadlock on the so-called "Singapore issues".

The Singapore issues had come out of the 1996 Singapore Ministerial meetings (International Centre for Trade and Sustainable Development, or ICTSD, 2003). The Declaration mandated the establishment of working groups to analyze four main issues:

1. Relationship between trade and investment.
2. Interaction between trade and competition policy.
3. Transparency in government procurement.
4. Trade facilitation.

At Cancun, negotiations were also soured by discord on agricultural issues. The delegates could not make any progress on the Singapore issues and ended

in deadlock on them. The gap in viewpoints and interests of developed and developing countries widened in the Cancun conference.

Fortunately, real progress on agriculture and the Singapore issues was reached at the General Council on August 1, 2004. The resulting agreement was called the "July 2004 package." This agreement was reached by the WTO members in Geneva who met after the Cancun deadlock. Their objective was to put the negotiations back on track. Although they were unable to reach a consensus on all issues, the agreement served as a new starting point to continue the trade negotiations.

The 2005 Conference in Hong Kong

The Sixth Ministerial Conference recorded the progress made in the preceding year and a half that elapsed since the last meetings. The final declaration included agreement on a range of questions, which further narrowed down the members' differences and edged the talks closer to consensus. A new timetable was agreed upon for 2006, and members resolved to finish the negotiations by the end of the year. Obviously, the original January 1, 2005 deadline had been missed.

The June/July 2006 Modalities Meetings

The WTO's Trade Negotiations Committee met informally on July 24, 2006 and agreed that the negotiations should be suspended because gaps between key players remained too wide. The meeting of the General Council took place on the 27th and 28th of July to make it official. Pascal Lamy, WTO Director-General, expressed the disappointment of most members stating: "Today there are only losers."

Five years of intense efforts and negotiations under the Doha Development Round have failed to reach a successful ending. As expected, and to continue the tradition started in the Uruguay Round, agriculture took the center stage as the result of difficulties in finding common ground in this sector. Agriculture has been again the culprit. It was impossible to decrease the persistent wide differences on the level of cuts in agricultural tariffs and

domestic support which, with market access, constitute the "pillars" of agricultural trade policy. Before reaching consensus, a solution to these issues must be found. Some believe that research "has indicated that tariff reductions that improve market access are key to achieving the benefits of trade liberalization" (Effland, Normile, and Wanio, 2006).

Implications for the U.S. Sweetener Industry

WTO's Three Major Issues

The World Trade Organization (WTO) found three major issues in the sugar/sweetener industry: (1) reduce or eliminate all forms of export subsidies, (2) improve market access, and (3) reduce trade-distorting domestic support. Below are the implications of these issues for the U.S. sweetener industry

1. Reduce or eliminate all forms of export subsidies: The United States does not subsidize sugar exports. The United States, with rare minor exceptions, has always been an importer of sugar since domestic consumption is greater than domestic production. Therefore, at the time of GATTs conversion to WTO, the U.S. sugar program was already fulfilling that goal. Final decisions concerning this issue will not have a negative impact in the United States or in Florida.
2. Improve market access: When GATT set the goal of a minimum access (imports) equal to three percent of domestic consumption, the United States was already fulfilling it since it imported around 15 percent of domestic sugar requirements. Today, that figure is still above the minimum requirement and thus a change in the share of imports over consumption is not likely to affect the domestic sugar industry in the United States.
3. Reduce trade-distorting domestic support: This early goal was the result of sugar being protected by most producing countries. The reduction called for was in the magnitude of 20 percent, with 1986-1988 being the base period levels. At that time, the United States was already in

compliance. The current U.S. Farm Bill maintains the loan program for raw cane sugar at 18 cents per pound. The loan rates can be reduced at the discretion of the Secretary of Agriculture if foreign producers reduce export subsidies and support levels below their current WTO commitments.

WTO's Free Trade Objective

The United States has signed numerous bilateral and regional trade agreements (the official website of the Office of the United States Trade Representative at <http://www.ustr.gov> has a list of these bilateral and regional agreements and the global WTO negotiations). Sugar has been an important part in most of these agreements. Sugar is one of the four top subsidized commodities in the world (the other three are rice, cotton, and maize according to the International Institute for Sustainable Development at <http://www.iisd.org/publications/pub.aspx?pno=771> or http://www.iisd.org/pdf/2005/tas_objective_1.pdf). Because of subsidies, and depending on the country or countries involved in the treaty, the U.S. domestic sweetener industry has sustained different levels of damage. The benefits that these agreements have brought to some U.S. industrial and agricultural industries have been at the expense of concessions related to the sugar industry. As expected, the domestic sweetener sector has a different point of view about these agreements. Most people ignore the issues involved and the rationality behind the position of the domestic sugar sector and sweetener industry.

The American Sugar Alliance (ASA) is the national coalition of growers, processors, and refiners of sugarbeets, sugarcane, and corn for sweeteners in the United States. The ASA's position on free trade negotiations is as follows:

- ASA supports reforming the distorted world sugar market through negotiations at the WTO.
- Trade-distorting policies include the familiar European Union (EU) sugar export subsidy program, Brazil's government-mandated ethanol program, direct payments to growers, state trading enterprises, marketing monopolies, import licenses, government ownership of domestic industries, state-funded bailouts, and low or no-interest loans.

- Real sugar reform can only be achieved in comprehensive, sector-specific negotiations within the WTO framework, not in regional or bilateral free trade agreements.

ASA's specific concerns about the current state of the Doha Round of WTO negotiations include:

- The special, differential treatment for developing countries could exempt from reform many of the world's sugar subsidizers, which account for three-quarters (75%) of the world's sugar production.
- Indirect subsidies, which are mostly responsible for distorting the world sugar dump market, are not considered in the traditional WTO negotiating framework. The focus on broad formulas should be eliminated.

The full report is available online at http://www.sugaralliance.org/desktopDefault.aspx?page_id=24.

For additional information about the world sugar market, LMC International, Ltd. has summarized the support for the sugar industry in selected countries for 2002 in a table format. These countries include Australia, Brazil, China, Colombia, Cuba, European Union, Guatemala, India, Japan, Mexico, Russia, South Africa, Thailand, and Turkey. The table contains ten types of transparent support and eight non-transparent support mechanisms (see table at http://sugaralliance.org/library/resourcedocs/LMCRuledSummaryTable_Mar06.pdf).

What About the Future?

The Trade Negotiating Committee (TNC) has held a series of meetings since the closing of the June/July 2006 gathering. Referring to those meetings, WTO Director-General Pascal Lamy reported to the General Council on July 27, 2007, that the negotiators have a "high level of commitment to concluding the Round", but also that "some significant differences" remain to be solved. He noted the need to show "the necessary will and flexibility to close the gaps." Only time will tell if those will be present in future meetings (see the complete report at http://www.wto.org/english/news_e/news07_e/tnc_chair_report_july07_e.htm).

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