

SWEETENER USERS ASSOCIATION

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Position of the Sweetener Users Association On the World Trade Organization Doha Round Negotiations

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The Sweetener Users Association (SUA) represents companies that produce confectionery, grocery products, dairy foods, soft drinks and other products made with nutritive sweeteners, as well as trade associations representing the interests of these companies.

Our members believe a successful WTO Doha Round will benefit U.S. agriculture and our nation's food industry by opening up new opportunities for export sales, including sales of the processed foods manufactured by many of our members.

We support the elimination of export subsidies, reductions in trade-distorting support and substantial improvements in market access as called for in the comprehensive U.S. proposal on agriculture, which was released in October. SUA's position on the Doha Round agricultural negotiations is as follows:

- **SUA believes that substantial improvement in market access** in the Doha WTO Round is critical to the success of the negotiations. The U.S. agriculture and food industry have much to gain from more liberalized world trade in this vital sector.
- **We support the U.S. agriculture proposal that calls for deep tariff cuts as well as the substantial expansion of tariff-rate quotas and the limitation of tariff lines for sensitive products.** The U.S. proposal to limit "sensitive products" to 1 percent of tariff lines would benefit U.S. farm exports to a much greater degree than the recent EU proposal to allow 8 percent of tariffs lines to be essentially excluded from any real competition.
- **Tariff-rate quotas should be expanded** to permit the entry of substantially greater quantities, and ultimately abolished. The U.S. and G-20 proposals are consistent with the July 2004 Agriculture Framework text on this issue in regard to expanding TRQs. We support the U.S. proposal on sensitive products, which increases the WTO minimum TRQ by 7.5 percent of consumption.

- Tariffs should be reduced through a **formula approach** that assures coverage of all products. We support the U.S. proposal, which provides for progressive tariff reduction from tiered tariff levels and establishes a tariff cap ensuring that no tariff is higher than 75 percent.
- The Doha Round should lead to **reductions in market access barriers, not increases**. No tariff anywhere in the world, on any product, should *increase*, nor should any non-tariff barrier anywhere in the world, on any product, become *more* restrictive, as a result of the Round. SUA believes that all products must be subject to negotiation, and the final agreement must actually include all products.
- **Export subsidies should be eliminated** worldwide as called for in the U.S. proposal. The WTO ruling against the EU Sugar Regime is correct in finding that schemes such as the European Union's preferential access for former colonies should not be used to justify the continuation of export subsidies.
- **Domestic support** should be provided in ways that permit market forces to set prices. Trade-distorting domestic supports should be reduced substantially, with deeper cuts by countries with larger subsidies as proposed by the U.S. The U.S. proposal to reduce amber box subsidies by 83 percent for more heavily subsidized countries will help level the playing field for the U.S. agriculture and food industry sector.

Market Access

The United States can only gain access to other markets if it is successful in aggressively reducing tariffs. By using the tiered formula agreed to in the July 2004 Agriculture Framework and taking into account the formula proposed by the G-20 countries, the U.S. proposal provides a phase-in period of five years for WTO member countries to make substantial improvements in market access by implementing real tariff cuts to all commodities, whether sensitive or otherwise.

The July 2004 Framework required that substantial improvement in market access be applied to all products, even those considered sensitive. Tariff-rate quotas (TRQs) should be expanded to permit the entry of substantially greater quantities and TRQ expansion should apply to all TRQs (including those established pursuant to both minimum access and current access obligations under the Uruguay Round).

The expansion of TRQs should not prejudice the operations of any legitimate free trade agreement, including the North American Free Trade Agreement. Preferential quotas under NAFTA are in addition to, not part of, the minimum TRQ, and must remain so.

Tariffs should be reduced through a formula approach that assures coverage of all products and tariffs should be capped at a commercially meaningful level. We support the U.S. proposal on sensitive products, which provides that there should be both a substantial expansion of the TRQ level and a reduction in the over-quota tariff.

The revised EU agriculture proposal calls for 8 percent of tariff lines to be treated as “sensitive products” in contrast with the U.S. proposal of capping such treatment at 1 percent of all agricultural product tariff lines. The EU proposal would allow it to maintain high tariff barriers for about 176 of 2,200 agriculture products. Therefore, we strongly support the comments of U.S. Trade Representative Rob Portman, who correctly pointed out that the EU’s treatment of sensitive products would it to shelter such commodities under relatively high import barriers.

SUA believes the most recent G-20 proposal on “sensitive products” is consistent with the U.S. proposal because it calls for greater expansion of the TRQ as the price for smaller cuts in the over-quota tariff. This is an improvement on a previous G-20 proposal that only required cuts to be made from bound rather than applied tariffs (cuts based on the bound rate would not have allowed any significant market access). The U.S. and G-20 proposals on sensitive products together may help keep the EU in a negotiating corner on this issue.

Export Subsidies

Export subsidies should be eliminated worldwide. In the sugar market, export subsidies – particularly those of the European Union – not only tend to depress prices, but also encourage the maintenance of restrictive border measures as a means of countering their effect.

As evidenced by the WTO ruling against the EU Sugar Regime, schemes such as the European Union’s preferential access for former colonies should not be used to justify the continuation of export subsidies. The EU has decided to begin making serious cuts in its sugar program by reducing its raw sugar support price by 36 percent to comply with the adverse WTO ruling.

Clearly, the EU – and other nations – should end all export subsidies. Reductions in trade-distorting domestic subsidies to encourage a more appropriate level of domestic production are the means by which the EU should balance its markets.

Domestic Support

The U.S. proposal calling for substantial reductions in trade-distorting domestic support is consistent with the Uruguay Round Agreement on Agriculture, where the U.S. advocated and achieved an agriculture agreement that disfavors domestic support deemed to distort trade.

In general, despite some retrograde motion, agricultural policies in the United States over the past two decades have moved in the direction of direct payments and other mechanisms that, by the standards of the Uruguay Round, are less trade distorting than former policies.

Sugar is the principal exception to this trend. Sugar regularly constitutes approximately \$1.1 billion of the total trade-distorting subsidies notified to the WTO by the United States. Essentially, this level of subsidy represents the price gap between the U.S. support price and the world price. In our view, U.S. sugar policy relies almost exclusively on mechanisms deemed by international standards to distort trade.

We believe the U.S. proposal calling for an 83 percent reduction in amber box subsidies for more heavily subsidized trading partners will help make U.S. agriculture more competitive. However, such reductions should apply on a commodity-by-commodity basis, not on an aggregate basis. Moreover, mechanisms should be established to ensure that no commodity is allowed to enjoy a level of subsidy in excess of that which presently prevails, or which prevailed during a subsequently selected base period.

The Doha Round agricultural negotiations represent an important opportunity to secure gains for U.S. agricultural and food industries; to further rationalize market-distorting policies worldwide; and to structure trade policy in a way that considers the interests of all affected U.S. parties, not just currently protected industries.