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## **Bush Advisers View Sugar Program as Hurting U.S. Consumers**

Import restrictions also hurt foreign producers, economic advisers' report says

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Washington -- U.S. domestic support for sugar production hurts U.S. consumers who have to pay more, as well as foreign producers that might benefit from exporting to the United States, according to President Bush's Council of Economic Advisers (CEA).

The statements in the CEA's section of the annual *Economic Report of the President*, released February 13, are in line with the Bush administration position in World Trade Organization (WTO) negotiations proposing sharp reductions of domestic agricultural support payments by wealthy countries.

The decades-old program, designed to protect U.S. sugar cane and sugar beet farmers as well as U.S. companies that process the crops into refined sugar, keeps domestic prices artificially high by restricting imports under tariff-rate quotas (TRQs).

The program has strong support in Congress, which repeatedly has rejected proposals to reduce the level of price support or to phase out the program.

The economic report's chapter on agriculture says that the cost to U.S. consumers of domestic support is especially high for sugar.

"Because of the U.S. tariff rate quota system on sugar imports, the domestic price of sugar has been approximately double world sugar price over the last few years," it says. "An estimate by the OECD [Organization for Economic Cooperation and Development] found that the cost of U.S. sugar policies to U.S. sugar consumers due to increased sugar prices was \$1.5 billion in 2004."

Removing support for domestic sugar and inviting more competition from imports would lower U.S. prices, the CEA says.

According to the report, U.S. trading partners seek to escape negotiation of lower tariffs and other barriers to trade in services and manufactured goods important to U.S. business by citing the trade-distorting U.S. agricultural subsidies.

The CEA cites studies asserting that WTO reform of agricultural trade policy would increase global income by \$180 billion by 2015, while eliminating barriers to manufactured goods trade would increase it by \$110 billion. And nearly half of the total \$290 billion gained would go to developing countries, it says.

"Global reform thus becomes an effective supplement to, and in some cases a substitute for, less-

effective development aid," the CEA says.

It says a WTO trade agreement especially would help the world's poorest countries, lifting hundreds of millions of people out of poverty.

"Debt relief and foreign aid can also help to reduce poverty," the CEA says, "but trade is a far more powerful tool" because it can increase farm incomes for the roughly 75 percent of the world's poor who live in rural areas of developing countries.

According to *The Wall Street Journal*, the U.S. Commerce Department is preparing a report asserting that the artificially high prices brought by the U.S. sugar program have forced the U.S. food industry, including candy makers, to relocate thousands of jobs abroad to countries where sugar costs less.

For information on U.S. trade policy, see *Trade and Economics*.

The 2006 [CEA report](#) (PDF, 401 pages) can be accessed at the Government Printing Office Web site.

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