

THE U.S. SUGAR PROGRAM'S HARMFUL IMPACT ON U.S. TRADE POLICY

U.S. agricultural trade policy is increasingly criticized as a prime example of the gap between our stated free trade beliefs and our industry-specific protectionism. Domestic and international commentators uniformly point out the entrenched nature of the U.S. sugar program and the detrimental effect its maintenance has on important U.S. trade priorities.¹ The prevailing view is that “protection in the world sugar market is imposed by developed countries at great cost to themselves but also at great cost to developing countries with the economic potential to expand exports.”²

- In July 2004, WTO member countries approved a framework agreement to guide negotiations to reduce tariffs on food products and raw commodities. Almost immediately, the United States indicated that it will likely designate sugar as a “sensitive product,” which would allow the imposition of high protectionist tariffs under the framework agreement.³
- The protectionist trade regime could also impact trade negotiations between the U.S. and Thailand, with Thai negotiators possibly withdrawing concessions on beef, pork, dairy, and oranges if the U.S. takes sugar off the table.

The closed and protected U.S. sugar market imposes a high cost on U.S. consumers, U.S. jobs, and U.S. industries, and maintaining this trade barrier exacts even a higher cost to our reputation as a free-trade supporting nation. The U.S. can further its free trade agenda only by addressing the legitimate concerns of our trading partners and domestic industries with concrete policy changes. U.S. credibility in promoting free trade is impaired because the reality of its agricultural programs does not match its rhetoric about open markets. Sugar has become the “poster child” for this disconnect between rhetoric and reality.

Participating fully in regional and global trade negotiations will not only staunch the flow of food industry jobs to more open markets and lower prices on food, it will stimulate the U.S. economy as a whole by opening new opportunities for exports and increasing demand for products in which the U.S. is competitive.⁴

¹ See, e.g., Mark Groombridge, *America's Bittersweet Sugar Policy*, CATO Institute Trade Briefing Paper, at 8 (Dec. 4, 2001).

² Brent Borrell & David Pearce, *Sugar: the Taste Test of Liberalisation*, Centre for International Economics (Sept. 1999).

³ Andy Mukherjee, *U.S. Sugar Move Leaves Bitter Taste*, *New Zealand Herald* (August 13, 2004).

⁴ For example, full implementation of the FTAA could bring an estimated annual increase of \$6.3 billion in U.S. real income. U.S. exports are projected by the same study to increase by over \$23 billion if the FTAA is fully implemented. Non-NAFTA trading partners would account for 99% of the net increase in expected exports from the U.S. Council of the Americas, *FTAA: Blueprint for Prosperity, Building on NAFTA's Success* (Sept. 2001).