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Sugar Policy in the Post-Uruguay Round Era

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The views expressed in this position paper are those of the members of the International Policy Council on Agriculture, Food and Trade.

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Foreword

Because of the importance of the international sugar market, and the complexities and difficulties which characterize it, the International Policy Council on Agriculture, Food and Trade (IPC) formed a Sugar/Sweeteners Task Force in 1990 to ensure that the sugar sector be adequately addressed in the Uruguay Round negotiations of GATT.

Despite the efforts of the IPC and other organizations, the sugar sector was left largely untouched by the final Uruguay Round Agreement as it was concluded in December 1993. This fact inspired the Council to develop recommendations to bring sugar policy into line with the reforms being implemented in other agricultural sectors.

At its 14th Plenary Meeting and Seminar in Sydney, Australia in October, 1994, the IPC assessed the primary challenges facing the sugar sector, including the production potential of the East European and Russian sugar industries, and the possibility of political change in Cuba which could reassert that country's industry on to the world stage. Changes in sugar production in these countries would have important repercussions for the many developing countries which enjoy preferential arrangements with the European Union and the United States.

The IPC considered other factors that also could upset the present balance in the world sugar market: the growing consumption of alternative sweeteners; the exposure to greater international competition represented by the GATT agreement; and, advances in sugar technology that would allow efficient farmers in unprotected markets to become even more productive and competitive. Although the transition to more open and competitive markets would certainly be arduous and painful, the IPC concluded in Sydney that policy reform was inevitable, and urged countries to begin considering these issues immediately.

Building upon the Sydney deliberations, the IPC decided to conduct a series of consultations with as many outside individuals and organizations as possible representing the various interests at stake in the industry as a whole. Through these consultations, the Council hoped to better ascertain the present state of the sugar industry and the sector's reform needs in the post-Uruguay Round era.

The first of these "Sugar/Sweeteners Forums" was held March 27, 1995 in Washington, DC, at which time IPC members and producer, processor and user groups discussed the prospects for reform of the sugar sector. Members of Congress and their staffs, industry representatives, and government officials provided insight into the likely impact of the US farm legislation then being negotiated on US sugar policy. International representatives from Mexico, Brazil, France and Japan discussed the implications of this legislation on global markets.

The second stage was held on November 10, 1995 in Kiev, Ukraine, with a forum entitled, "Policies and Outlooks for Eastern and Central European Sugar Industries." Participants included the Deputy Prime Minister for Agriculture of the Government of Ukraine and representatives of industry and government from many of the key sugar producing countries of the region, such as Russia, Hungary, Bulgaria, the Slovak Republic, Belarus, and Ukraine. Also present were speakers from the International Sugar Organization (ISO), the World Bank and Tate & Lyle. The Kiev discussions focused on the consumption, production and trade prospects of sugar throughout the Central and Eastern European region.

The IPC held the third stage of its global review on February 15-16, 1996, with a major event entitled "Sugar 2000—Challenges for International Sugar Policies," at the London, England headquarters of the ISO, the co-host of the forum. Thirty countries were represented at the conference, which was attended by over 140 industry and government specialists and representatives of the FAO, OECD, as well as farm and industry organizations. In addition, the Director General of the World Trade Organization sent the London forum a message of support. Attention focused on the pace of change in the global sugar market in the last decade and the possibility that this pace would continue into the next century. While change was welcomed as necessary for the future growth of the industry, the forum recognized that for many countries, particularly in the developing world, the importance of the industry to their economic health cannot be underestimated. The need for a gradual evolution in policy was thus stressed to promote stability in the world's sugar markets.

Finally, at the IPC's 17th Plenary Meeting on May 12-14, 1996 in Brussels, Belgium, members of the original Task Force met with other outside experts one last time and subsequently presented a draft of the position paper to a full meeting of the IPC. The paper reflects the position of the IPC on sugar policy reform.

The present text is therefore the result of six years of global research and consultation by the membership of the International Policy Council on Agriculture, Food and Trade, and numerous outside experts. The project and the resulting paper would not have been possible without the generous support of the many organizations listed on the preceding recognition page. In particular, the IPC would like to thank IPC Board Member Jorge Zorreguieta for chairing the original Task Force, IPC Secretary Ann Tutwiler for writing and editing the original IPC Sugar Papers, and IPC member Sir Michael Franklin for overseeing the many consultations held over the past two years and for drafting the final paper.

Introduction

The agreement on agriculture reached at the end of the seven-year long Uruguay Round negotiations of the General Agreement on Tariffs and Trade (GATT), while far reaching, nevertheless allowed the highly protected support regimes for sugar to remain in place. The International Policy Council on Agriculture, Food and Trade (IPC), which had campaigned for an effective agreement on agriculture throughout the Uruguay Round negotiations, and welcomed the final outcome, concluded however that the absence of any real opening up of this important farm sector was regrettable.

Consequently, the IPC launched a series of consultations with the many interests involved in the sector with the aim of determining the state of the industry worldwide and its future policy reform needs. Meetings were held throughout 1995, culminating in an international forum entitled "Sugar 2000—Challenges for International Sugar Policies," held in London in February, 1996 and jointly organized with the International Sugar Organization.

In the light of these consultations, and several internal deliberating sessions by the Council itself, the IPC now offers its own conclusions and recommendations for policy reform in the sugar sector.

The international sugar market has several distinguishing characteristics which give it its unique character:

- Sugar is a staple food, providing a cheap source of energy, especially in low income countries. It is derived from two distinct crops—beet and cane—which are grown in both the developed and the developing world (see Exhibit 1). As in other sectors, biotechnology may radically alter the production potential and relative efficiency of cane and beet production.

- Sugar is an important source of export earnings for many developing countries. Its production in final form requires substantial capital investment, with multinational companies involved in both sugar and alternative sweeteners often making decisions that affect the entire industry.

- Traditional sugar faces growing competition from alternative sweeteners.

- A higher proportion of world production of sugar (about 25 percent) enters into international trade than is the case for the cereals, oilseeds or meat sectors.

- In the past, up to 30 percent of sugar trade was governed by special governmental trading arrangements, but with the decline in US imports and the change in the Russia-Cuba relationship, the proportion has now fallen to under 10 percent (see Exhibit 2). This decline has in turn reduced the volatility of free market prices in recent years.

• Last, but by no means least, sugar has long been the beneficiary—or the victim—of extensive government intervention at national and international levels. In some countries this has been to keep consumer prices low; but in most cases it has been to protect domestic producers. Globally, sugar is one of the more highly protected products, with a Producer Subsidy Equivalent of 48 percent (see Exhibit 3). In the developed world—including the EU, the US and Japan—elaborate systems ensure that most of the cost of support falls on the consumer. With the small cost of sugar in the retail price of food products, this means that the cost of support regimes is largely 'unseen' and 'unfelt.'

Given these factors, it is not surprising that the comprehensive attempt to liberalize trade in agriculture in the Uruguay Round left the sugar market relatively unaffected. While all agricultural products, including sugar, are slated to come under the rules and disciplines of the World Trade Organization (WTO), it is generally agreed that the impact of the agricultural agreement on world trade in sugar will be minimal even by the end of the implementation period.

The Post-Uruguay Round Climate

In some respects, the international sugar market today is healthier than it has been in the past. The Uruguay Round Agreement promises less price fluctuation and improvements in market structure. On the other hand, there have been two recent cases where significant opportunities for reform were missed.

In 1995, the *European Union* reviewed its sugar regime and decided against major changes in the quota mechanism which has characterized EU sugar policy since its inception (see Exhibit 4). Because the regime imposes no significant burden on the EU budget, there has been no pressure to reduce support to sugar producers, nor to switch the burden of that support from the consumer to the taxpayer, as has occurred in the case of cereals. Nor have the WTO commitments for sugar required any adjustments (although a procedure to reduce quotas has been put in place, should this be necessary at a later date). It can be argued that this and other changes agreed to in 1995 "will tend to move the regime in the direction needed to face the next round of challenges: those posed by the next GATT agreement and by enlargement of the European Union."[1] However, it is clear that, for the moment, the EU has decided against reform.

The same is true for the *United States*. The recently-concluded Federal Agriculture Improvement Reform Act (the FAIR Act of 1996) changed the basic structure of US farm policy, removing restrictions on plantings and substituting fixed payments for price support. But sugar (and peanuts) were excluded from the Act. Sugar quotas will remain in place, although domestic marketing controls are slated for elimination. As one observer has pointed out, there is "nothing that will cause the [US] Secretary of Agriculture to manage the program or the import quota any differently than in the past."[2] However, US import requirements may be growing (see Exhibit 5), raising the possibility that any additional quota allocation will be "globalised," and made available on a first-come-first-serve basis. This would at least introduce some flexibility into the import system and, for the first time, allow countries without political links access to the US market. Alternatively, the additional import requirement may provide the opportunity for a quota allocation to be given to Cuba, should a change in the political situation take place in that country.

As in Europe, the failure to change the US sugar regime can be explained in part by the fact that the cost falls on the consumer and not on the federal budget. Nevertheless, in a Congress committed to less government intervention, the decision was a close one, and it is reasonable to assume the issue will be reopened in the next few years. One interesting feature of the new US Farm Bill is the specific provision allowing the U.S. to adjust its support levels in response to any similar adjustments by the EU. This may be no more than shadow-boxing, but it could be the basis for a bilateral exploration of the kind that led to the breakthrough in the Uruguay Round negotiations over cereals in 1993.

The same reluctance to reform established sugar regimes can be seen elsewhere in the world, notably in *Japan*. There is no evidence of a willingness to lessen the protection afforded the struggling Japanese beet industry (nor the still more precarious cane industry in Okinawa). The principal preoccupation in Japan is with the prospect of declining sugar consumption. Japanese sugar prices are among the highest in the world, but consumption is also being affected by health concerns and competition from alternative sweeteners. As a result, a further drop in imports seems likely (see Exhibit 6). One source estimates that Japanese sugar imports will fall from the current levels of 1.6-1.7 million tons to 1.3 or even 1.1 million tons by the year 2000.[3]

The other major sugar producing and consuming countries of Asia—India, China and Pakistan—seem likely to retain their highly regulated markets. Both *India* and *Pakistan* have long had complex arrangements to control all aspects of sugar production and consumption. In 1991, India abolished both export and consumer subsidies, but further progress at liberalization seems unlikely for another few years, with Indian producers pressing for firmer price support. Production seems set to rise above the increasing level of domestic consumption, thus making India a significant and reliable exporter of sugar.

China's policy of controlling sugar imports and supporting producer prices, in a questionable effort to achieve self-sufficiency, seems unlikely to change in the foreseeable future. China will not repeat the experience of 1992/93 when it suddenly became a major sugar exporter. As population grows and good farm land comes under development, pressure to increase imports will rise; nevertheless, a significant increase in imports is unlikely to be permitted. A significant portion of the increase in demand will be met by cheaper intensive sweeteners or possibly grain sweeteners. Only when (and if) China becomes a member of the WTO will there be any external pressure for the country to liberalize.

In the countries of *Central and Eastern Europe*, the upheaval following the collapse of Communism has created severe disruptions in the sugar industry and led to calls for greater protection. In spite of falling production, consumption per head remains relatively high, no doubt due in part to the use of sugar in the production of illegal alcohol. In Russia, the imposition of a 25 percent import duty has "failed to provide the necessary protection for domestic beet sugar producers,"[4] and the newly formed Union of Sugar Producers of Russia is calling for import quotas for white sugar and higher import duties. There are similar pressures for subsidies to support the sizable sugar industry in Ukraine, which is bereft of essential capital investment and suffering from the decline in Russian demand.

For countries such as Hungary and Poland, the justification for the introduction of support systems based on the EU model is explained by the aspirations of these countries to become members of the EU.[5] However, it would certainly be unwise for Hungary and Poland to aspire to current EU support levels, since these levels are likely to decline in coming years. Indeed, anticipating EU entry by introducing quotas and duties at this stage may not be a sound policy. For those countries which currently are (or will soon become) members of the WTO, pressures for more rather than less protection will be restrained by existing obligations and the prospect of further liberalization. However, the pressure in these countries to develop self-sufficiency is likely to foster protectionist policies for at least several years to come. Given their budgetary constraints, any policy response is more likely to take the form of border protection than subsidies, thus transferring the cost to consumers. In the important case of Ukraine, a country aiming to become a major exporter again, any return to protectionism is likely to hamper its comparative advantage in sugar production.

In the countries of *Central and South America*, the sugar industry has not escaped the many and often radical attempts at economic reform. The overall effects of these reform attempts should be beneficial, whatever the short-term problems they create. On the trade front, the impact of NAFTA on Mexico's sugar industry, and of MERCOSUR on that of Brazil and Argentina, remains uncertain. There is also uncertainty over Brazil's future plans for alcohol fuel. While it is likely that the use of hydrated ethanol as a substitute for gasoline will decline given the high subsidy that is required, the use of anhydrous ethanol as a gasoline additive has gained recognition as an essential element for the future environmental stability of Brazil's urban centers. The terms and conditions under which this program can be maintained are at present under discussion between industry and the Brazilian government. The intention is to make subsidies more transparent. It seems likely that the cost will fall to the consumer. The outcome of these discussions and the prospects for ethanol exports will determine how much sugar cane is diverted into sugar production. The extent to which this diversion takes place will have major repercussions for the world sugar market.

New regional trading arrangements are also destined to have a significant effect on the future development of global trade in sugar. Through NAFTA, Mexico will eventually gain greater access to the US market. How sugar is treated internally within MERCOSUR will be highly significant for the countries involved. Also, in spite of reservations in Japan and South Korea, agriculture is now firmly included within the Asia Pacific Economic Cooperation (APEC) forum, although what this will mean in practice for sectors such as sugar remains undecided at this point. In its recent bilateral agreements, the EU has generally sought to exclude agriculture even though this may be incompatible with WTO rules. One such case is the projected free trade area with South Africa, a significant and efficient sugar-producing country. The EU wishes to exclude sugar from this plan, to protect both its own beet growers and the cane producers who enjoy preferential access under the Lomé Convention.

The IPC is carefully monitoring the development of these regional trading arrangements with the aim of ensuring that they are complementary and not inimical to the multilateral trading system. In this connection, it is important to recall that all members of the WTO have signed on to the Final Act of the Uruguay Round, which calls for another round of agricultural negotiations to start in 1999 to secure "further substantial reductions in support and protection." This resounding declaration of intent by the Contracting Parties to GATT contrasts starkly with the actions of the major players since the completion of the Uruguay Round Agreement.

The Case for Further Reform

Generalizations about sugar policies are dangerous because of the complexities of the market and the variety of ways in which the market is distorted by the actions of government. Many of these distortions have been well documented, however, and together they represent a strong case for the notion that further reform would bring with it major benefits for the industry as a whole.

On the supply side, heavy subsidization of relatively high cost production (see Exhibit 7) denies efficient producers elsewhere in the world the opportunity to compete fairly and advance their countries' own economic development. For instance, it has been estimated that the losses incurred by developing countries due to the policies of the EU, the US and Japan amount to over $2 billion a year, or approximately one-third of their entire export earnings from sugar.

Nor is it possible to ensure that the gain from high support prices accrues exclusively to growers: much of any gain is likely to be felt elsewhere in the food chain or in the price of inputs (i.e., land). Thus, the cost is higher than governments intended as asset values are artificially inflated.

By subsidizing exports (or restricting imports), the developed world is depressing the world market price for sugar. Various estimates of this effect have been made,[7] the latest suggesting that in the absence of US sugar policies, world raw sugar prices might have been 56 percent higher over the past twelve years. It has also been suggested that, if the US market is fully liberalized during the period 1996 to 2000, the increase in US import demand will raise world prices by 6.9 percent. Figures for the EU suggest that changes to its quota and support levels would raise world prices by as much as 11 percent. The effect of liberalization in Japan would doubtless be significant as well.

Quota restrictions in the sector have a distorting effect on the market. US import quotas favor countries with which the US has historic and political ties, at the expense of other countries that may be more efficient producers. The EU's Sugar Protocol with the ACP is based on historic links rather than developmental need. Within the EU, the domestic quota arrangements have frozen the pattern of production between Member States, inhibiting the transfer of sugar production to the more efficient areas, as would happen in a genuinely single and free market.

Competition between products is also distorted. As a result of the Uruguay Round Agreement and other reforms, EU cereal prices will approach world market levels. However, EU sugar prices will remain artificially high. Over the past 15 years, the price for cereals in the EU has fallen by almost 50 percent, while over the same period the sugar price has gone up by 11 percent. Similarly, the 1996 US Farm Bill will leave sugar growers among the few farmers enjoying direct price support in that country. In the US and Japan, the pattern of demand has been severely affected by allowing for free competition between alternative sweeteners and the high price, protected sugar market. The same would happen in the EU were it not for the parallel quotas on isoglucose.

On the demand side, sugar consumers are forced to pay artificially high prices in Japan, the US and Europe. Sugar subsidies are estimated to cost the US consumer $2 billion per year. The European soft drink industry claims that, when on-costs and taxes are taken into account, EU consumers pay as much as $6 billion more per year than they would in a free market. The extra cost to the Japanese consumer of their nation's sugar regime must be on a comparable scale. Nor are the distortions confined to the developed world. Sugar consumption has been subsidized in many developing countries and in the former communist countries of Eastern Europe and the former Soviet Union. Moreover, exports have been taxed in certain countries. In other countries, for example Thailand, internal prices have been held up in order to subsidize exports.

All of this leads us to conclude that existing sugar policies throughout the world impose economic costs which are wholly disproportionate to their intended benefits. The many resulting distortions make the best case for systematic reform of global sugar policies. Instead of treating sugar as a special case, it should be brought into the mainstream of the agricultural reform process, while taking full account of the specificity of the sector.

A Program of Reform

In light of the preceding analysis, the IPC believes reform of sugar policies should have the following basic features:

1) The gradual reduction of high domestic support prices with the substitution, as necessary, of direct, decoupled compensation payments;
2) Parallel reductions in tariffs;
3) The progressive elimination of export subsidies;
4) The progressive elimination of import quotas;
5) The freeing up and eventual elimination of production quotas;
6) Safeguards for the interests of existing preferential suppliers; and
7) A level playing field with other sweeteners.

How might this program be achieved?

Reducing Support Prices

This reform plan can be achieved using a program which is phased in gradually over a period of several years, as was the case for the commitments made in the Uruguay Round Agreement to reduce overall support for agriculture. Those commitments, however, were related to levels of agricultural support as a whole, which allowed some products—such as sugar—to escape unaffected. What is needed is a commitment that is specific to sugar. This could be decided nationally or as part of a global negotiation. The extent of the reduction must be substantial and approach total elimination of the gap between the domestic and the world price. The process itself will tend to raise the free market price and thus reduce the extent of the gap. The difficulty of predicting where support levels will settle should not prevent commitments to substantial percentage cuts in support levels (as happened for cereals during the Uruguay Round negotiations). To be equitable, the higher the level of support, the greater should be the required reduction.

Whether farmers in developed countries should receive compensatory payments for price reductions will be a matter for political decision. What is important is that any compensatory payments given should be temporary, fully decoupled from production decisions, and gradually phased out over time. Initial budgetary costs might seem a serious obstacle to this plan, but it should be remembered that budgetary considerations did not prevent the much more significant decision to cut cereal prices from being taken in the Uruguay Round. The question of possible assistance for the inevitable relocation and restructuring of the refining industries would also need to be addressed. A scheme to facilitate such reorganization might be at least partly financed by the industry itself.

Further Reductions in Border Measures

As a result of the Uruguay Round Agreement, tariffs are due to decline during the implementation period, although most tariffs in the developed world will remain largely prohibitive. As support prices come down, the level of tariffs should come down at least as much. Equally, the rules of the Uruguay Round Agreement require reductions in the size of export subsidies, generally acknowledged to be the most distorting of all protectionist measures. In future trade negotiations, the objective should be to reduce and if possible eliminate all export subsidies. This will present the EU with its biggest challenge, one that can only be overcome if EU prices are brought much closer to world market levels.

Elimination of Quotas

In the case of the EU, it would be possible either to gradually lower the intervention price to the point where the capital value of quotas has been so reduced that they can be removed without market disruption; alternatively, the amount of A quota could be gradually reduced, thus indirectly lowering the price which producers receive (the average of the A, B and C prices). The process of adjustment might be made smoother if quotas were in the meantime made transferable between producers and between EU Member States.

In the case of the US and Japan, the most direct way to achieve liberalization would be through a progressive enlargement of import quotas (thereby producing greater competition in the internal market) with a corresponding reduction in the internal support arrangements. Again, the process of adjustment might be facilitated if during the transition more flexibility were introduced into the allocation of quotas.

The Problem of Preferential Suppliers

The Cuban experience following the collapse of the Soviet Union has shown what can happen to developing sugar exporters when they are deprived of access to markets at preferential prices. Even without a change in the Lomé Convention's Sugar Protocol, ACP sugar producers would suffer a similar fate if the EU were to lower its support price to world market levels. Sugar often represents an irreplaceable aspect of a nation's agricultural sector, which in turn plays an essential part in its social and economic development. Thus "any disruption of the ACP/EU trade pattern in sugar would have dire consequences and would put in question the very existence of the socio-economic fabric of [ACP] countries."[6]

Many developing country sugar exporters will benefit from the liberalization of sugar policies in the developed world as markets open to them and world prices rise. But liberalization ought not to be achieved at the expense of those existing preferential suppliers who would suffer substantially as a result. Technical assistance to improve their infrastructure and make them better able to compete in the global market place will be necessary, and may actually be sufficient for some of these countries. But for small island economies, where natural conditions make it impossible for them ever to be competitive on the world market, transitional measures of this kind would not be enough. Experience with the EU banana market has shown how difficult it is to reconcile the needs of these small economies with existing trade rules. Tariff preferences can help but may be insufficient. Deficiency payments to producers would be the most efficient way to provide adequate export earnings but these would need to be financed from aid budgets and, if necessary, provided for as a special case in WTO subsidy rules. Maintaining sugar production in this way will not seriously disturb the world market, since the production involved represents only a small and declining proportion of total world trade in sugar. Any arrangements would need to ensure that adequate refining capacity is maintained. The position of countries such as South Africa, the Dominican Republic and Cuba, which for different reasons do not currently enjoy preferential status but could be said to have a claim to such status, also deserves recognition, although in the long run their position can only be improved by a more liberal world market.

Competing Sweeteners

Price competition between sugar and high fructose corn syrup (HFCS) has become less of a factor as food technology, most notably in the US, has adapted to the widespread use of alternative sweeteners. Moreover, current high world prices for grain have reduced the price gap. Nevertheless, policy reform should aim to equalize the support given to the raw materials that go into starch sweeteners with that given to beet or cane sugar. In the US and Japan, this could be achieved by reducing the level of import protection for sugar. In the EU, it would mean relaxing the quotas on isoglucose while simultaneously phasing out the sugar quotas.

With regards to intensive sweeteners, equalizing support practices would mean refraining from placing artificial restrictions—other than those justified by scientifically based views of safety—in the way of their production. International trade would be facilitated by the harmonization of safety standards.

A Plan of Action

The consultations carried out by the IPC have shown that, while there is widespread reluctance to challenge the status quo of the sugar sector, there is also a growing recognition that present policies are unsustainable. Liberalization of agricultural policy in the US cannot indefinitely ignore the sugar industry. The EU must face up to the challenge that enlargement to the East poses to the Common Agricultural Policy. The next round of multilateral trade negotiations is unlikely to pass up the sugar sector again, if only because major developing country sugar exporters and other Cairns Group countries (such as Australia) will justifiably consider willingness to accept a genuinely open international market in sugar to be a test case for liberalization in the agricultural sector as a whole.

Change is therefore inevitable. Countries and their industries would be wise to prepare for change now. This being said, it is unlikely that radical changes in policy will occur overnight. Indeed, there is much to be said for a gradual and progressive adjustment allowing farmers and industry to plan ahead and to make the appropriate capital investment decisions. But for that to happen, governments need to enunciate clear policies with a program of change declared in advance and implemented over a period of years.

There is no rational reason why individual countries and country groupings should not be encouraged to embark on reform programs along the lines suggested in this paper. Some countries are already facing difficult policy decisions. In particular, the countries of the former Soviet bloc are still wrestling with the problems of adjustment. They should be cautious about embracing a protectionist approach: quotas and tariffs are easier to institute than they are to dismantle. Moreover, those countries which aspire to EU membership should not assume that the CAP will remain unchanged. Elsewhere, for example in South America, the process of liberalization has begun and should continue.

It is in the United States, the European Union and Japan where there is the greatest need for change, as their protectionist policies do the most to distort the global sugar market. Reform would bring economic gains not only to these countries but to the world sugar economy at large. The IPC would encourage any initiative to reexamine these sugar policies and introduce into them some of the reforms discussed in this position paper. Success is more likely if the reform process is multilateral, engaging the world trade community as a whole. The WTO trade liberalization round planned for 1999 offers the obvious opportunity to address this issue on the multilateral level.

In December 1996, Trade Ministers are to meet in the first WTO Ministerial Meeting. The intention is to concentrate on implementation of the Uruguay Round and its unfinished business rather than on preparations for the next negotiating round. Nevertheless, for a sector as important and complex as sugar, some preliminary discussions would be highly desirable. The International Policy Council on Agriculture, Food and Trade proposes that one result of the December Ministerial Meeting be an invitation to the WTO to initiate, perhaps in association with the International Sugar Organization, discussions to explore a timetable and basis for multilateral reform of global sugar policies along the lines set out in this paper.

End Notes

1. Speech by Mr. David Roberts, Deputy Director General, EC Commission, at the joint ISO/IPC sugar conference, “Sugar 2000,” February 15/16, 1996.
2. Speech by Mr. Thomas Earley, Senior Vice-President, Abel, Daft, Earley & Ward Associates, at the joint ISO/IPC sugar conference, “Sugar 2000,” February 15/16, 1996.
3. Paper prepared for the joint ISO/IPC sugar conference, “Sugar 2000,” February 15/16, 1996 by Mr. Nobuo Sato, General Manager, Nisho Iwai, Tokyo.
4. Speech by Mr. Vasiliy Severin, President of the Union of Sugar Producers of Russia, at the joint ISO/IPC sugar conference, “Sugar 2000,” February, 1996.
5. For further discussion of the situation in this region see “Policies and Outlooks for Eastern and Central European Sugar Industries,” the Proceedings of the IPC Sugar/Sweeteners Forum, held 10 November, 1995 in Kiev, Ukraine and published by the IPC.
6. Speech by the Honorary Arvin Boolell, Minister of Agriculture and Natural Resources, Mauritius and ACP Ministerial Spokesman on Sugar, at the joint ISO/IPC sugar conference, “Sugar 2000,” February, 1996.
7. Paper presented by Mr. Warren Males, Queensland Sugar Corporation, at the 14th Plenary Meeting of the IPC, October 5-8, 1994 in Sydney, Australia.

Exhibit 1. World Beet and Cane Sugar Production

Graph available only through printed version
Contact the IPC @(202)328-5056.

Source: Barteus/Mosolff, Agra Europe

Exhibit 2. The Decline in Preferential Sugar Trade

	1973	***1983***	***1993***
Preferential Trade	***(millions of tons)***		
US Quota	4.80	2.40	1.20
EU ACP Imports	1.30	1.30	1.30
Cuba Comecon	2.50	4.30	0.00
Total	8.60	8.00	2.50
Total World Trade	22.50	27.30	29.50
Preferential Share	38%	29%	8.5%

Source: International Sugar Organization

Exhibit 3. Producer Subsidy Equivalents

	1994 (%)
Wheat	48
Coarse Grains	36
Rice	86
Oilseeds	24
Sugar (refined equivalent)	48
Milk	62
Beef and Veal	35
Pigmeat	22
Poultry	14
Sheepmeat	45
Wool	10
Eggs	14
All Products	43

Source: OECD

Exhibit 4. EU Sugar Price, Quota, and Levy System (ECU/tonne, 1993-94)

Graph available only through printed version

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Source: "Sugar and Sweeteners," RABOBANK NEDERLAND, 1985, page 18

Exhibit 5. US Sugar Imports
Graph available only through printed version
Contact the IPC @(202)328-5056.

Source: “International Dynamics of National Sugar Policies,”
T.C. Early and D.W. Westfall, FAO 1996, page 25

Exhibit 6. Sweetener Supply in Japan
Graph available only through printed version
Contact the IPC @(202)328-5056.

Sources: USDA, Economic Research Service.

Exhibit 7. Producer Subsidy Equivalents for Refined Sugar

	Percent
Switzerland	85
Japan	71
European Union (15 countries)	59
United States	36
Hungary (1994)	35
Turkey	28
Canada	17
Australia	9
Poland (1994)	9
Czech Republic (1994)	–3

Source: OECD

International Policy Council Members (1996)

Lord Plumb of Coleshill
Chairman, International Policy Council
Member and Former President of European Parliament (United Kingdom)

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Bernard Auxenfans
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Brian Chamberlin
Former Agriculture Counselor, New Zealand High Commission in London and Special Agricultural Trade Envoy, and President, Euroa Farms Limited (New Zealand)

Kyung-Shik Cho
Former Minister of Agriculture, Forestry and Fisheries, and Chairman, Information Centre for Agriculture, Forestry and Fisheries (Korea)

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Glenn Flaten
Past President, International Federation of Agricultural Producers, and Manager, Flaten Associates, International (Canada)

Sir Michael Franklin
Former Permanent Secretary, Ministry of Agriculture, Fisheries and Food, and Member of the Board of Directors, Whessoe PLC and Whitbread & Co. (United Kingdom)

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The Mission of the International Policy Council on Agriculture, Food and Trade

The International Policy Council on Agriculture, Food and Trade (IPC) is dedicated to developing and advocating policies that support an efficient and open global food and agricultural system—one that promotes the production and distribution of food supplies adequate to meet the needs of the world's growing population, while supporting sound environmental standards.

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Founded in 1987, the IPC is an independent group of 35 leaders in food and agriculture from over 20 developed and developing countries, including formerly centrally planned countries. Members are chosen to ensure the Council's credible and impartial approach, and include influential leaders with extensive experience in farming, agribusiness, government and academia. The IPC meets twice annually to develop policy recommendations to address the critical issues facing the world's agricultural system. It then conveys its recommendations directly to policymakers through its personal contacts and through a variety of papers and studies. The IPC also convenes task forces and holds conferences and seminars.