



AMBASSADOR DENNIS RICHARDSON
ADDRESS TO GLOBAL SUGAR ALLIANCE SEMINAR
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Introduction

- I am pleased to have been invited to participate in this seminar. I welcome the Global Sugar Alliance and representatives of its member countries to Washington.
- Your discussions here are very well timed. This is an important period in the United States for trade. The United States is debating the shape of its future Trade Promotion Authority (TPA), the Farm Bill and its position in the WTO Doha negotiations. Your messages about the benefits of trade expansion and liberalization are important messages at this time in the debate.
- I want to make some remarks on:
 - The political context of the 2007 Farm Bill debate and authorization of TPA;
 - The benefits of liberalised trade especially through the WTO Doha round, particularly to sugar producers and users; and
 - The important work of the Cairns Group on the Doha Round.

The political context for trade, particularly the Farm Bill and TPA

- As you all know, Congress aims to write the 2007 Farm Bill this year. This will determine US spending on domestic support programs for US agriculture for the next five years.
- US commitments on reducing its spending on domestic support will be critical to reaching a successful Doha Round outcome.

- The 2007 Farm Bill will be written against the backdrop of the ethanol boom – which is raising commodity prices to the benefit of some farmers all around the world.
- There are growing calls, including from many in this room, for change in US farm policy towards a set of more market-orientated policies.
 - However, as we all know, the existing beneficiaries of current policies continue to argue for their retention.
 - In 2002-2005, 93% of total commodity program payments went to farmers who accounted for only 21% of total farm cash receipts in 2005.
- However, given the tight budgetary situation, current farm policies face strong competition for funding.
- And the President's Trade Promotion Authority expires on 1 July 2007. For the Doha Round to conclude, it will be necessary for Congress to renew TPA.
- The attitudes of the US Congress will therefore be critical to the future of the Doha Round, and determinative of the shape of the Farm Bill and TPA:
 - Following the November 2006 mid-term Congressional elections, the Democrats hold majorities in both the House and the Senate. In the Senate the margin is very slim indeed – Democrats with effectively 50 seats (including Lieberman), Republicans 49 seats, and 1 Independent. In the House, the Democrats hold 233 seats and the Republicans hold 202 seats.
 - Some newly elected to Congress tipped their hats towards populist anti-trade sentiment. One newly elected member of the Senate – who is on the Senate Agriculture Committee – has written a book entitled “Why American Trade Policy Has Failed : Myths of Free Trade”. These days it is a relatively infrequent, but joyous, occasion for members of Congress to describe themselves as “free traders”. This applies to both sides of the aisle.

- Protectionist pressures are inevitable in democratic societies, regardless of who is in power.

- Only time will tell what influence protectionist pressures will have on US the direction of trade policy. There are clearly those in both the Democrat and Republican parties who want to find a way forward and reclaim the trade agenda as something that is good for the American people and the American economy. We need to support those efforts through the Global Sugar Alliance, in your own countries, and in your discussions on Capitol Hill in the last few days, serve to reinforce this.

- The key to economic progress, and the test of leadership, is to summon the political will to move beyond protectionist pressures at home, rather than manipulate them for tactical advantage.

- The Doha Round offers plenty of scope for countries to create solutions that increase trade opportunities, and give governments the means to manage the process of adjustment to increased competition.
 - But we are on a slippery slope if we get these two priorities the wrong way around, and put protection of the weak or uncompetitive ahead of an outcome that expands trade.

The Case for Reduced Domestic Support of Sugar

- As things currently stand, one of the reasons the world is deadlocked in trying to agree to free up trade through the Doha Round is because the US hasn't set out sufficient reform to its agricultural policies, including its perplexing sugar policy.

- I have been studying up on the US sugar program for this seminar today. I read parts of a Department of Commerce report, entitled "Employment Changes in US Food Manufacturing : The Impact of Sugar Prices, 2006", with some disbelief.

- I don't have to tell people here what high sugar prices do to the competitiveness of sugar users like confectionary manufacturers and how the US sugar program distorts international markets and penalizes US consumers.
 - According to the Department of Commerce, at least 6,400 people have lost their domestic confectionary manufacturing jobs since 2000 because high sugar prices have helped make their employers uncompetitive.
 - And the sugar program doesn't provide much help to struggling family sugar farmers in the US. Only around 2,260 sugar harvesting and growing jobs are saved by the sugar program, according to the US Dept of Commerce report. That report estimates that US consumers pay US\$826,000 in higher prices each year to save each of these jobs. Paying US\$826,000 a year to save a job that doesn't pay a fraction of that just serves to show the bankruptcy of the program.

The Benefits of More Liberalized Agricultural Trade

- Overall we would be much better off, as would the US and the rest of the world, if this system was reformed. Reform of the sugar program, and others like it, would provide vital impetus to the Doha Round.
- Australia is trying to do its bit, including through the Cairns Group, but at the end of the day, the weight of the United States is vital if we are to get anywhere.
- In October 2005, the United States put on the table in Geneva a new negotiating proposal for the Doha Round. It was a good proposal, and it was central in generating some movement – but not enough, with European Union in particular not being forthcoming on market access, and some major developed and developing countries looking for loopholes.
 - But the United States needs to go further on domestic support. It should and it can – and it has signaled it will when others come forward with real market access offers. So it is equally important that others go further on market access and that they don't simply look to the US alone.

- But the United States is sending mixed signals. Maintaining high levels of domestic support in the United States gives cover to other agricultural protectionists, like the European Union and Japan.
- We want to see real cuts in tariff protection through the Doha round. And we need to ensure that there is not a backdoor way of diminishing the benefits of tariff cuts through special products, sensitive products, and the special safeguard mechanism.
 - protection of an excessive number of products from competition through this “black box” of exceptions will gut the benefits of a Doha deal.

Cairn Group Work

- The Cairns Group is working hard to try to bring clarity to these exceptions, and I commend the recent Cairns Group proposal on sensitive products for your consideration.
 - Only a limited number of products should be able to be declared as sensitive. There should only be a limited deviation from the general formula cut and compensation must be paid in the form of substantial TRQ expansion on the basis of domestic consumption.
- The Cairns Group is working to ensure the Doha negotiations meet the Doha mandate of creating “substantial improvements in market access for all products”.
- But other countries simply won’t open up the “black box” of exceptions if they think that the US isn’t prepared to deliver meaningful cuts to its agricultural programmes. Furthermore, if the United States doesn't tackle some of these agricultural programs at home, then its push for an ambitious Doha Round outcome will fail.

- Let me be clear, the US cannot be expected to lead the WTO system into a Doha conclusion alone. The political landscape I outlined earlier would make this impossible. It will take concerted movement from the other majors – such as the EU, Brazil and India – for the prospect of a strong deal to genuinely come together. This is the challenge for all of us in this room – and this will take political conviction by Governments across the globe. And industry represented here today has an important role to play.
- I wish to again welcome the Global Sugar Alliance to Washington, and strongly support your efforts.
- I will leave you with a quote from the communiqué issued by 31st Cairns Group Ministerial Meeting yesterday (18 April):

“Now is the time for all Members, particularly those with the highest levels of agricultural support and protection, to show maximum flexibility ... The opportunity represented by the Doha Round is simply too important to be lost”.
- Thank you and I look forward to your receiving good hospitality at the Australian Embassy reception this evening.