"We're not concerned about our relationship with the administration on that."

By Daniel Pruzin

Agriculture

Sugar Quotas Said to Raise Families' Costs, Cause Job Losses, Harm Trade Talks

U.S. government quotas essentially guarantee the U.S. sugar industry 80 percent of the U.S. sugar market, hamstringing U.S. negotiators in trade talks, costing U.S. families more, and causing sugar-using companies to move operations out of the United States, National Foreign Trade Council President Bill Reinsch and Daniel Griswold, of the Cato Institute, said Oct. 30.

"The sugar program enriches a few thousand sugar producers by ripping off consumers and making our nation as a whole poorer," Griswold, Cato's director of trade policy studies, said at a briefing on Capitol Hill.

The sugar program put U.S. trade negotiators in an awkward position in negotiating bilateral and multilateral trade agreements, Reinsch said.

In bilateral negotiations, maintaining the sugar program costs the United States in other areas, Reinsch said, pointing to the U.S.-Australian Free Trade Agreement. It also sets a negative precedent in other bilateral negotiations going forward, such as where Korea excluded rice from the pending U.S.-Korea FTA.

Reinsch said the U.S. stance on sugar quotas also harmed it in World Trade Organization Doha Round negotiations, where agriculture is one of the three pillars. He said the United States had a lot to gain from the agricultural negotiations, but protecting the sugar market was tying the hands of U.S. negotiators in the round.

Griswold said that for every one job saved in the United States because of the sugar quotas, three were lost.

By increasing the price of U.S. sugar, sugar-using industries such as bakeries and candy makers are made less competitive, Griswold said. He said a Commerce Department report had pointed to some sugar-using companies such as Ferrara Pan Candy, Kraft Inc., Hershey Foods, and sugar refineries leaving the United States for Canada or Mexico, with those companies citing the high cost of sugar in the United States.

He rejected arguments that the quotas were "costless" because they did not use taxpayer dollars, and that the problem was that foreign producers were "dumping" sugar on the world market. Griswold pointed to the Australia as an example of a country that did not subsidize its sugar producers, but still was competitive in sugar trade and should be allowed to freely compete for the U.S. market.

He said that even if quotas were removed, some U.S. sugar producers would continue to be competitive.

Program Unlikely to Change Short Term. Neither Reinsch nor Griswold held out much hope that the program would be eliminated or changed, saying the narrow and entrenched lobbying of the American Sugar Alliance was tightly connected to Congress, with many members of the agriculture committees coming from states with sugar-growing interests.

Reinsch pointed out that with the expiration of the 15-year phase-in under the North American Free Trade Agreement, Mexico was the only country in the world that is now able to freely export sugar to the U.S. market. Griswold said the effect of the Mexican sugar entering the United States duty-free demonstrated that competitive U.S. producers would remain in business even if sugar quotas were eliminated.

Griswold said he was disappointed that President Obama, through the U.S. Department of Agriculture, had elected to maintain existing quotas on sugar, despite an August 2009 letter from U.S. sugar users requesting quotas be raised. He said that Obama should stand up to the sugar special interests and order USDA to reconsider its sugar quota program.

By Amy Tsui

Balance of Trade

Second-Quarter G-7 Trade Stabilizes After Plunging Two Previous Quarters

PARIS—The Organization for Economic Cooperation and Development reported Oct. 23 that quarterly merchandise trade volumes for the Group of Seven countries stabilized in 2009's second quarter, following consecutive drops in the previous two quarters.

"After the continued drop in [G-7] quarterly merchandise trade volumes . . . during the last quarter of 2008 and first-quarter 2009, the trend reversed with more stable growth volumes in the second quarter 2009," said the Paris-based organization, whose 30 member countries include the world's wealthiest economies.

However, despite the quarterly improvement, year-on-year G-7 volume growth "leveled-off" at two-digit levels below their marks in last year's second quarter, OECD said.

Citing customs-based data, the organization said G-7 second-quarter merchandise trade growth stabilized at 0.8 percent, while imports declined 2.5 percent. Year-on-year, trade volume growth declined 23.3 percent for exports and declined 19.0 percent for imports, it said.

The G-7 comprises Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

Goods and Services Exports Up 2%. Citing balance of payments data, OECD said the second-quarter value of trade in goods and services across the OECD area rose 2.0 percent for exports and 0.9 percent for imports, measured in seasonally adjusted current prices in dollars, compared with the previous quarter, on the heels of three consecutive quarters of negative growth.

Year-on-year, second-quarter exports continued the sharp drop observed in the first quarter, although the drop was less steep, the organization said.

Second-quarter exports plunged 30.0 percent and imports 31.8 percent compared with the same quarter of 2008, it said.

"In both [cases], goods fell much more sharply than services, the overall trend for both goods and services being largely determined by the larger share of goods in total trade," OECD said.

By Rick Mitchell