

**ADDRESS TO THE
11TH INTERNATIONAL SUGAR ORGANIZATION SEMINAR**

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by

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SUGAR IN THE WTO – EXPECTATIONS?

Chairman of the ISO, Mr David Willers, a colleague in the Global Sugar Alliance, Chairman of the Seminar, Mr Jain, a colleague in the Global Sugar Alliance, I thank you for the opportunity to address such a diverse group.

I have been invited by Peter Baron in my capacity as Chairman of Queensland Sugar Limited, the marketing arm of the Queensland raw sugar industry, and as Chairman of the Global Sugar Alliance. However, having been an international businessman with over 40 years in various internationally traded commodities, I will, on occasions, speak as an individual private sector person. I cannot speak for the Australian Government albeit I have worked closely with Government for several decades.

At the Sugar Club dinner in New York on 15 May 2002, the Australian Ambassador referred to a “Bruce”. Bruce, a well known figure, a curious but innocent Australian who goes travelling around the world asking lots of questions – there are a number of Bruces – some of them look alike.

Firstly, the title *Sugar in the WTO*. We all lapse into abbreviations; I prefer to use the expression – WORLD TRADE ORGANIZATION to remind ourselves what we are talking about – WORLD TRADE. For sugar, this is hardly the case.

Life’s experiences have taught me that

HUMAN EXPERIENCES CHANGE FREQUENTLY

HUMAN NATURE NEVER CHANGES.

On the latter, we are all familiar with FEAR and GREED in a number of ways – familiar words in the sugar world.

We can expect many things, but will they happen? My points will be about expectations, which, in a rapidly changing globalized society, should become realities.

Lets take the Ministerial Declaration at the conclusion of the World Trade meetings in Doha, 9-14 November 2001.

The carefully crafted words have been interpreted in quite a number of ways, but the reality of the outcome discussed by some 140 countries, is that there is a need and a commitment to improve world trade.

Specifically for AGRICULTURE (Section 13)

We recall the long-term objective referred to in the Agreement (reference, negotiations in early 2000 under Article 20 of the Agreement on Agriculture), to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We

reconfirm our commitment to this program. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiation aimed at: Substantial improvements in market access; reduction of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.

Surely we all agree in a new globalized, hopefully more humanitarian, and fairer world that the special needs of lesser-developed countries need differential treatment. This is so for some developing countries, but I must say the clear distinction between developed, developing and lesser-developed countries, sometimes escapes me.

Earlier this year, the President of the USA, George W Bush, said “open trade is not just an economic opportunity; it is a moral imperative”.

I will come back to expectations, under Article 20, from the current Geneva discussions.

First, I will move to the media release of the United States Department of Agriculture.

Zoellick & Veneman Launch Initiatives to Reduce Global Trade Barriers and Slash Trade Distorting Subsidies; Washington, July 25, 2002

The United States today announced an ambitious proposal for reforming the rules of global agricultural trade that would level the playing field for all countries by substantially reducing global trade barriers, slashing trade-distorting subsidies and eliminating export subsidies.

Although there is reference to a level playing field I am aware the particular phrase is not accepted, as such, by all. The point I will make is whatever the wordsmanship, the expression does have a common usage of being fair to all players.

As we are well aware, some proposals have been introduced into the current Geneva deliberations.

The thrust of the USA proposal certainly is welcome. Whether or not it goes far enough, quickly enough, is a matter of debate but it is clear recognition by a major world player that necessary change is on the way.

The Cairns Group proposal adds weight to the US proposal, however on the very important MARKET ACCESS issue, it goes further.

Might I make the point, by increasing access to the US & EU markets by say 20% of domestic consumption, it would be a significant step.

Mentioning the Cairns Group I am reminded of Mr Zoellick’s words at the media conference at the conclusion of the recent meeting in Bolivia when he said we (USA) would lower trade distorting domestic supports from \$US19 billion to \$10 billion if the EU were to reduce theirs from US\$62 billion to \$12 billion.

Speaking of the need to change, there has been recognition of that by the EU Agriculture Commissioner, Franz Fischler; again it does not go far enough and certainly not quickly enough, but on 10 July, he did outline some plans to reform the EU Common Agriculture Policy, amongst other things, less money to be spent on supporting the production of surpluses, and more to be spent on rural development. It comes as no surprise that the plans meet a strong reaction in parts of Europe. For us it was disappointing there was no specific reference to sugar, but given the EU sugar regime and EBA this also was no surprise. However the pressure mounted. On 20 September Mr Fischler announced two studies on the EU Sugar regime. “We organised two studies on this; they will be ready early next year and then we’ll be in a position to say what is a possible solution to the problem”.

AT LEAST a recognition of a problem. He went on to say, “We are willing to reform the sugar sector and we will make a proposal next year. Then we will see what happens”.

WILLING TO REFORM – when and to what extent is the next issue.

Well, a part of the question has been answered. Early in November the EU tabled a proposal for tariff reductions in industrial goods to significantly reduce all tariff duties by compressing into a flatter range, within which tariff peaks and high tariffs are eliminated (“compression mechanism”). I wonder whether this is another way of expressing harmonisation?

No mention of agriculture, which as I recall it, was a centrepiece of the Doha declaration.

However, let us not be too harsh - once the snowball rolls it will gather its logical build up.

Furthermore, EU Trade Commissioner, Pascal Lamy, addressing the International Peace Academy in New York earlier this month, stressed the importance the EU attaches to the Doha Development Agenda. He said, “Doha has given us an important and unique opportunity to advance development in concrete terms, and we have to deliver on that”.

- Perhaps the snowball is gaining momentum.

Many of us who have to accept the world price for most of our sugar production feel aggrieved and we watch with interest the budgetary issues within the CAP and the issues of ENLARGEMENT.

We note what is referred to as the Chirac/Schroder deal whereby it is suggested CAP spending will rise through to 2013 – my recollection was France and Germany were well represented in Doha.

One of the most disturbing issues is the frequent reference within the agriculture debate that sugar and dairy products are “too difficult” a subject and/or “too hard” and so on.

Many of the people discussing these matters would be affronted and/or insulted not to be regarded to be of significant intellectual regard and prowess, so why are these matters “too difficult”, “too hard”?

Reverting to the Doha Ministerial declaration, the USA proposals to the WTO process in Geneva and ideas from within the EU (subject to Agreement), one can pick up many points.

Doha

- Establish a fair and market-oriented trading system
- Specific commitments
- Substantial improvements in world agriculture
- Substantial improvements in market access
- Reduction of, with a view to phasing out, all forms of export subsidies
- Substantial reductions in trade-distorting domestic support
- Special treatment for less developed countries.

Zoellick & Veneman

- “Our proposal lays out our vision for reforming and liberalising global trade in agricultural goods”
- “However, we need to level the playing field by reducing and eliminating the unfair trade barriers that not only hurt our farmers, but other countries around the world”.

Lamy & Fischler (EU)

- Reduction in direct aid
- “It is not enough just to touch things up cosmetically”
- European taxpayers will continue to pay large amounts to farmers
- Must deliver on the Doha opportunity.

Given the above we have high expectations that at long last, the process is moving forward. The content, the speed and the steps in between are yet to be determined, but the expectations of the Global Sugar Alliance are for:

- positive, progressive & meaningful reform of the world sugar market by ensuring that sugar is included as an important element of the agricultural trade agenda and treated - equally and fairly – with other commodities/products.

The Global Sugar Alliance approach about the three pillars is well known:

- in time, to be specified, access for all around the world
- a formula approach to the negotiations to ensure commitments are implemented on a product specific basis
- an implementation plan that includes significant discernable and measurable steps towards the agreed outcomes – a 3-5 year implementation period.

A few words about PROCESS.

Recently in Brussels, we raised a particular point and the response was insufficient case law.

An expectation we have is that in the present Geneva WTO discussions and consequent discussion papers there will be more of the MORALITY and less of the LEGALITY – most of the 140 or so countries in Doha want ACTION, they do not want, and in my opinion, at the end of the day, will not accept a process bogged down in technicalities and super smart wordsmanship – in short, they expect, as we expect, the endeavours and presumably the genuine endeavours, will reflect the SPIRIT of Doha.

On the issue of more morality and less legality, we however have to accept, for the present, the existing process. As you are aware, Brazilian and Australian Governments have mounted a challenge in the WTO to some aspects of the EU Sugar regime.

Might I make the point the Australian challenge is about exports of sugar from the EU, stemming from the subsidised environment.

This challenge by the two governments has provoked comments from some, including the EU Trade Commissioner, Mr Lamy, and some ACP countries.

Two points:-

Firstly, I quote the media release of the Honourable Mark Vaile, the Australian Minister of Trade (and Chairman of the Cairns Group), issued on 11 October 2002.

Australia has no intention of challenging preferential sugar import access, or to displace African, Caribbean and Pacific (ACP) or Indian sugar in the EU market.

Secondly, is it not the case under the WTO rules based system that if any Country breaks the rules then the consequences are for that Country? Therefore, should the challenges be successful, and I cannot imagine they would have been entered into lightly, then the problem and the solution rests with the EU or parts thereof.

Speaking of various voices and opinions, there are a number of independent studies which highlight issues within protected regimes which adversely effect others.

To mention some:-

- The DKT Memorial Fund paper of October 2002

Liberalizing Trade in Sugar:

A white paper on the Critical Link to Promoting Global Development, Free Trade, US Credibility and Fairness through a Free Trade Area of the Americas.

- Oxfam
- CATO Institute
- The IMF and the World Bank
- International Policy Council on Agriculture Food Trade – May 2002 – Challenges Facing the Doha Round
- Netherlands Economic Institute

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- EU Court of Auditors
 - Targets for OECD Sugar Market Liberalization prepared by the Centre for International Economics, Canberra & Sydney, October 2002.
 - US General Accounting Office

It is well to remember the base rules for the GATT and the WTO were written decades ago in an environment of a very different world. The power and influence (and even the perceived rights) of countries has, and is, changing. Those holding onto beneficial arrangements will naturally try to preserve the status quo. Globalization is a reality (speed of communications, the internet, TV from remote places etc) and we expect in this WTO round that the “old” rules and interpretation to be challenged and changed to reflect the world today – so I repeat in another way, tinkering with the words is not acceptable.

One assumes that all issues will be addressed in a positive and intellectually honest way.

On this last point, it is somewhat amusing to hear the shallow rhetoric about currency distortions, and sometimes an implication that the currency of particular countries is deliberately distorted to, in effect, be a subsidy in sugar marketing.

Well important as they are, the sugar industries in various countries must have enormous and disproportionate influence if this is the case. It would be interesting to hear the views of central bankers and also the views of all those Governments, organizations and people who are reliant on imports, but of themselves, not part or involved in the sugar industry.

Another of the issues often raised is food security. Given the great uncertainties in the world, the food security argument is a very natural and defensible one, but in the context of freer and fairer world trade, one should expect those in power to ensure that the farmers and processors are measurably efficient in terms of world’s best practice – to do otherwise is a form of subsidisation. Furthermore if they were world competitive they presumably could accept world prices.

If the comfort, in the so-called rich countries, of a protected and virtually closed domestic market does not encourage adjustment, this imposes very difficult circumstances on those exposed to world market influences. Many developing countries struggle to grow and develop as a consequence.

As I said earlier, in my experience, human nature never changes, therefore it is not at all surprising that those who are favoured and benefit by protective arrangements are reluctant to give them up, or even have them eroded. But given they are going to be eroded and ultimately eliminated it is reasonable there should be an adequate adjustment period, but nevertheless sunsetted.

The Global Sugar Alliance (producers of over 50% of the world sugar) is really thinking beyond expectations - it will continue to work tirelessly, with Governments, major trade organizations and key individuals to ENSURE what might be called EXPECTATIONS become REALITIES.

That said we expect, in no order of priority:

- the Doha timetable will be met
- world leaders will ensure the SPIRIT of Doha will prevail
- the disparities between the first world and the second world and the third world will narrow
- initially there will be special treatment for lesser developed countries – their pride should be respected so there must be a program aimed at self-efficiency by an agreed date
- the ultimate achievement of the three PILLARS, through a measured process and timetable
- sugar will be treated equally and fairly along with all other commodities/products
- World Trade Organization objectives will supersede any bi-lateral, free trade or any other agreements
- we believe there is a need for new rules, rather than amending questionable and/or poor rules
- there will be more morality, less legality
- we want to ensure, within a reasonable timeframe, that phased implementation means real progress, discernable steps which are transparent and measurable.
- we acknowledge there will be casualties in the inevitable change process – however the goal must be,

The greater good.

Mr Chairman, in conclusion I have canvassed some of the expectations of the World Trade Organization process.

Might I re-iterate we in Australia and Members of the Global Sugar Alliance will, intellectually honestly, continue to vigorously advance our CAUSE whenever.

It is not tenable or credible for the voices of world leaders, including from protected environments, to be ignored when they internationally state their humanitarian considerations and concerns and their support for fairer world trade.

In a democratic world we all understand the imperative of votes, but there is a GREATER GOOD. In a genuinely globalized society, the voices and messages in the corridors of some 140 countries cannot and must not be ignored.