April 12, 2007

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Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative

Submission by email to FR0704@ustr.eop.gov

Re: Comments on the 2005 WTO Ministerial Decision on Duty-Free, Quota-Free Market Access for Least-Developed Countries, January 18, 2007, Federal Register (Volume 72, Number11) pp. 2316-2317

These comments are submitted by nine nonprofit organizations representing consumer, citizen and taxpayer groups, humanitarian organizations, and public policy groups. These organizations are participants in the Sugar Reform Alliance, an on-going coalition to reform the U.S. sugar program.[1]

The signatories to these comments support the World Trade Organization's Ministerial Declaration adopted in Hong Kong 18 December 2005, specifically, the agreement regarding Least Developed Countries (LDCs) and duty-free, quota-free market access.

In these comments we will be focusing on the need to include sugar under this rubric.

LDCs face multiple hurdles in achieving higher living standards for their populations. With low life-expectancies and an average Gross National Income (GNI) per person of only $378 (in 2005), economic growth and development are urgent and essential to achieve better prospects for the more than 750 million people living in LDCs.[2]

While the United States has been a major contributor of humanitarian and economic assistance to many LDCs, allowing poor countries to take full advantage of markets in the United States would be an important step for their sustainable economic growth. U.S. trade policy should be consistent with these overall goals.

At the latest WTO Ministerial Meeting in Hong Kong in December 2005, the United States and other WTO members recognized the need for LDCs to have greater access to developed countries' markets and thus expand their trade opportunities. The text adopted states:

> ***36) Decision on Measures in Favour of Least-Developed Countries***
>
> *We agree that developed-country Members shall, and developing-country Members declaring themselves in a position to do so should:*

[1] For further information, see the Sugar Reform Alliance's website www.soursubsidies.org

[2] http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=LDC

(a)(i) Provide duty-free and quota-free market access on a lasting basis, for all products originating from all LDCs by 2008 or no later than the start of the implementation period in a manner that ensures stability, security and predictability.

(ii) Members facing difficulties at this time to provide market access as set out above shall provide duty-free and quota-free market access for at least 97 per cent of products originating from LDCs, defined at the tariff line level, by 2008 or no later than the start of the implementation period. In addition, these Members shall take steps to progressively achieve compliance with the obligations set out above, taking into account the impact on other developing countries at similar levels of development, and, as appropriate, by incrementally building on the initial list of covered products.

Many LDCs have preferential agreements with developed countries that provide duty-free and sometimes quota-free access. However, such programs may be temporary and thus not provide certainty over time that the agreements will continue. Other preferential programs may restrict the goods and products that receive such treatment, which can lead to countries focusing narrowly in areas where they might not otherwise be competitive.

In a World Bank study, *Trade, Doha and Development: A Window into the Issues*, the importance of broad market access was made in a chapter by Paul Brenton and Takako Ikezuki:

> Preference schemes would be enhanced by
> • Extending coverage to all products and making schemes permanent (as with the EBA).
> • Liberalizing rules of origin and simplifying the process of certifying compliance.
> If all schemes had the same simple and easy-to-apply rules, a producer in a least developed country could make production and investment decisions on the basis of equal and predictable access to all industrial markets.[3]

While WTO members in the 2005 decision made allowances for countries that faced economic difficulties in providing complete duty-free and quota-free access for LDCs, the United States, as one of the most successful economies, should not be included in the group that "cannot afford" to allow the poorest nations such access to its markets. The United States should not claim the 3 percent exemption for certain so-called "sensitive" products, such as sugar. We urge the United States not to seek to exclude 3 percent of tariff lines from duty-free, quota-free access; if it nonetheless does so, we strongly recommend that sugar not be included in such exclusions.

Several LDCs are efficient sugar producers and have the potential to increase their sugar exports if provided with market opportunities in richer countries. Their increased export earnings could be used to improve the day-to-day lives of their people, letting countries develop on the basis of their own efforts rather than on the handouts of wealthy nations.

An expansion of duty-free exports from those countries would not threaten the economic viability of sugar producers in the United States, but would provide more competition to the benefit of the U.S. economy.

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[3] Paul Brenton and Takako Ikezuki, "The Value of Trade Preferences for Africa," Trade, Doha, and Development: A Window into the Issues (World Bank: 2006), p. 228
http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1126812419270/18.TheValue.pdf

Opening the U.S. sugar market to imports from LDCs would help U.S. consumers who currently pay a higher price for sugar and sugar-containing products because of the import restrictions. Higher food prices hurt especially consumers on low and fixed-income and families with children. In addition, lower prices that competition could bring could help sustain jobs in the sugar-using industry.

The continuing problems in concluding the Doha Round negotiations are in major part due to the lack of agreement on agricultural support and protection. A successful Doha agreement would bring benefits for U.S. consumers and producers; protecting the profits of a small number of sugar producers would jeopardize these potential benefits.

Such a protectionist approach also undermines the United State's leadership in the Doha negotiations. Denying economic opportunities for some of the poorest countries in the world would set an unfortunate example and discourage further participation of poor countries in trade negotiations.

The policy of excluding sugar, as well as several other products, leads to unnecessary burdens for poor countries, especially those that are not included in preferential systems and are subject to high tariffs. For example, according to Ed Gresser, economist at the Progressive Policy Institute, the U.S. collects more tariffs from Bangladesh than it does from France, whose exports are much higher in value and volume.[4] This additional burden is difficult to justify. The contention that the United States supports trade liberalization and economic development is cast in doubt with such policies.

In conclusion, we urge the United States to support the 2005 Ministerial Decision to provide duty-free, quota-free market access for the Least-Developed Countries.

Sincerely,

Citizens Against Government Waste

Competitive Enterprise Institute

Consumer Federation of America

Consumers for World Trade

The DKT Liberty Project

Foundation for Democracy in Africa

FreedomWorks

Hudson Institute's Center for Global Food Issues

National Taxpayers Union

[4] Cited in *Finance and Development*, a quarterly publication of the International Monetary Fund, September 2002, Volume 39, Number 3, http://www.imf.org/external/pubs/ft/fandd/2002/09/smith.htm