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Big Sugar, Please Whine Elsewhere

Last year, we took the U.S. sugar industry to task for not only trash-talking the Central American Free Trade Agreement (CAFTA), but also for trying to exempt itself from the accord altogether. Not long afterward, Big Sugar was banging on our door, demanding a face-to-face to disabuse us of our free-trading ways. But all the meeting did was crystallize our view that American consumers and taxpayers deserve better than the raw deal they're getting from one of the nation's most coddled and uncompetitive industries.

The sugar lobby has a long history of hurting the U.S. economy. Federal loan guarantees cost around $200 million a year. Congress reauthorized the program in the 2002 farm bill, but repealed a requirement that sugar producers who default on their loans pay a forfeiture penalty, giving the industry an extra $500 million.

Protectionist lawmakers also shield Big Sugar with import quotas that keep foreign sugar out of the U.S. market. As a result, domestic prices as much as three times the world level have decimated the U.S. refining and candy industries, resulting in the loss of thousands of jobs. Direct costs to consumers are as much as $2 billion annually. Moreover, the quotas benefit an already wealthy few at the expense of the many. A fifth of producers - not Colorado's beet growers but a handful of rich Florida sugar barons - collect about 60 percent of the benefits.

Worldwide, the quotas stand as an example of the hypocrisy of U.S. demands for more open markets abroad. And since agricultural trade liberalization provides the largest percentage gains in real income, these restrictions have helped ravage the economies of poor Latin American nations. Which is why CAFTA is the region's most important free-trade pact since the North American Free Trade Agreement that linked Mexico, Canada and the U.S.

Under CAFTA, about 80 percent of American consumer and industrial goods and about half of U.S. farm exports to Central America would become duty-free immediately, with tariffs on all goods eliminated over 15 years. The powerful sugar lobby, however, won protection for U.S. sugar. So CAFTA's Latin members will gain access to less than 1.5 percent of the U.S. market after 15 years, an amount equal to about a day's worth of U.S. sugar production.

The sugar lobby claims to be for free trade, as long as it is universal liberalization promoted by the World Trade Organization. But with multilateral reform stalled and difficult, no responsible government can afford not to fast-track trade and investment via such treaties as CAFTA.

As any first-year student of trade theory knows, Big Sugar's protected status is a classic case of concentrated benefits and dispersed costs; a small number of sugar producers make out like bandits, while free trade is sacrificed for a regime that milks consumers and taxpayers, hurts sugar-using industries and helps keep poor developing countries mired in poverty.