

U.S. IN QUANDARY OVER MANILA SUGAR RE-EXPORT PLAN.By **Chaitanya Kalbag**

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MANILA, Feb 8 - U.S. Agriculture Secretary Richard Lyng is in a quandary over a sugar re-export plan passed by the U.S. Congress doubling the Philippines' sugar exports to the United States this year, a senior U.S. official said.

Philippine officials said at the weekend that the re-export program will top the agenda at talks with Lyng when he arrives here on Tuesday for a two-day visit.

The major quandary facing the USDA was whether it could use Commodity Credit Corp (CCC) funds to subsidise exports of non-U.S. agricultural commodities.

Manila has charged that Lyng's department is delaying issuing guidelines that will enable Philippine sugar growers to export the extra sugar in fiscal 1988 ending September.

"We want to make sure the (re-export) rules are out and that they are favourable to us," Philippine Agriculture Secretary Carlos Dominguez told reporters.

Sugar Regulatory Administration (SRA) chairman Arsenio Yulo said Manila would impress on Lyng the importance of the program.

Under the program, the Philippines and Caribbean nations would be allowed to export to the United States 110,000 and 290,000 short tons of raw sugar outside their calendar 1988 quotas for refining and re-export with the aid of subsidies.

Philippine officials have said the program would help compensate for a 23 pct cut in the country's 1988 export quota to 110,600 tons from 143,780 tons last year.

A senior U.S. Department of Agriculture (USDA) official, who did not want to be identified, told Reuters the issue had been clouded by emotion and political rhetoric. "The truth is, Congress has got us into a mess," he said.

Under the plan, Manila would sell raw sugar at domestic U.S. prices of between 19 and 21 cents a pound. The sugar would then be re-exported at prices of about nine to 10 cents a pound, with Washington using CCC funds to bridge the gap.

"It's ironical this problem should crop up just when Lyng is touring the region trying to push for the abolition of all farm subsidies," the USDA official said. The Philippines is a member of the Cairns group seeking freer world farm trade.

"In general, we are thinking along the same lines as the United States in wanting countries to lessen agricultural subsidies," Dominguez said.

The USDA official said the sugar re-export plan also went against U.S. anti-dumping policies.

"We call European Community members meanies for dumping farm produce on world markets and here we are on the brink of becoming net exporters of 400,000 tons of sugar," he said.

He noted that the SRA estimates the Philippines' sugar production for the 1987/88 crop year ending August will drop to 1.25 million tonnes from 1.33 million tonnes in 1986/87 because of damage caused by a drought and two typhoons last year.

Manila has also announced it will import 100,000 tonnes of raw sugar from South Korea to meet a shortfall in supply.

"Even if the re-export plan is pushed through, the Philippines will likely have to import raw sugar from other countries to fulfil its extra exports to the U.S.," the USDA official said.



He said a more important issue was declining bilateral farm trade, which fell to 593 million dollars in 1987 from 658 million in 1986 and 727 million in 1985.

The Philippines has a farm trade surplus with the U.S., but USDA figures show exports fell to 375 million dollars in 1987 from 416 million in 1986 and 455 million in 1985. Manila mainly exports coconut and pineapple products and sugar.

Manila imports wheat, soybean meal, cotton and tobacco from the U.S. USDA figures show food aid to the Philippines has risen over the past two years.

The U.S. shipped 235,000 tonnes of wheat worth 43.5 million dollars under the Title 2 grant plan of its Public Law 480 in 1987. In contrast, Manila received 289,000 tonnes of wheat worth 35 million dollars under a Title 1 repayable program in 1986.

Under a program to compensate countries for sugar import quota cuts, Manila received 190,000 tonnes of wheat worth 32.8 million dollars in 1987 against 128,500 tonnes worth 18 million dollars in 1986.

Dominguez said that apart from sugar, other trade issues up for discussion with Lyng included coconut exports, which are being threatened by a labelling bill in the U.S. Congress which would have the effect of protecting U.S. soybean producers, greater access for Philippine mango exports and Washington's plan to eliminate sugar quotas by 1990.

The USDA official added that Lyng and Dominguez will sign a memorandum of understanding on scientific and technical cooperation during the visit.

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