

SWEETENER USERS ASSOCIATION

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Oral Statement for the

SWEETENER USERS ASSOCIATION

To the

Transatlantic Trade and Investment Partnership Stakeholder Forum Washington, DC

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“The Importance of Sweetener Trade Liberalization”

My name is Tom Earley. I'm the economist for The Sweetener Users Association, and a principal in Agralytica, a Virginia food and agricultural consulting firm. As the name suggests, the members of the Sweetener Users Association make the products that use most of our sugar, like baked goods, confectionery, ice cream and a host of other products, and also include the trade associations that represent these firms.

SUA has a long history of supporting U.S. trade agreements because they're consistent with SUA's goals of more open and liberal trade policies. I have appeared many times before the U.S. International Trade Commission on behalf of SUA to endorse these liberalization efforts.

We strongly support the efforts of the U.S. government to achieve substantial improvements in market access in the TTIP negotiations. But for this opportunity to be realized, the TTIP must provide a meaningful and ambitious result on agriculture.

We hope that U.S. trade negotiators learned a valuable lesson from the U.S.-Australia FTA, where the previous Administration yielded to demands by U.S. sugar growers and processors and denied Australia access to the U.S. market despite warnings that this would lead other countries to seek exclusions in future FTAs. Not surprisingly, based on this precedent, South Korea succeeded in denying U.S. rice producers access to the Korean market in the U.S.-Korea FTA.

It's vital that U.S. trade negotiators not make this same mistake again and allow exclusions in the TTIP that will undermine opportunities for U.S. agriculture to gain improved access to markets in the European Union.

The inclusion of sugar is a critical means of assuring that other commodities, of which the U.S. is a net exporter, benefit from reduced EU trade barriers.

The U.S. and EU sugar markets

The U.S. and EU are major producers and consumers of sugar. Together they account for one seventh of world production and one sixth of consumption.

The U.S. also relies on corn sweeteners for almost half of its caloric sweetener needs. In contrast, the EU tightly controls production and imports of starch-based sweeteners. Their equivalent of high fructose corn syrup is referred to as isoglucose and is produced from both wheat and corn starch. Decontrolling that market would potentially create demand for large imports of U.S. corn, and even our liquid and crystalline corn sweeteners.

Both the U.S. and EU are major net importers of sugar – an average of 3 million metric tons on a raw basis for the U.S. in recent years, and 1.5 million metric tons for the EU. You might think that this would make sugar a non-issue in the negotiations. But sugar is a good example of why trade liberalization is necessary. Both governments operate highly protectionist sugar policies that have actually destabilized their internal markets in recent years. In 2010 and 2011, refined sugar prices in the United States were two-thirds higher than in the EU. More recently it has been the other way around. And throughout the period, prices in both markets have been much higher than world market prices.

Opening up sugar trade between the U.S. and EU could help even out the supply dislocations that resulted in such disparate domestic price levels. When the U.S. market does not have enough sugar, European cane refiners and sugar beet processors could supply some of their high quality refined sugar. When the market is tight in the EU, U.S. cane mills could export raw sugar to refineries in Europe, and U.S. beet processors and coastal cane sugar refineries could export high quality U.S. refined sugar to that market.

Objectives for TTIP

Specifically, SUA supports the following features as critical components of trade liberalization with the European Union:

1. **Expanded tariff-rate quotas (TRQs)** for raw and refined sugar to permit the entry of substantially greater quantities with these TRQs ultimately abolished;
2. **Deep reductions in the over-quota tariffs** on raw and refined sugar imports;
3. **Extension of duty-free, quota-free access** to the same group of least developed countries to which the EU offers such access;
4. **All sugar products, including sugar-containing products must be subject to negotiation** and the final agreement must actually include all such products;
5. **Limitation of sugar tariff lines** for sensitive product treatment; and
6. The TTIP should lead to **commercially significant reductions in both tariff and non-tariff barriers to sugar market access and not new restraints on sugar trade.**

Conclusion

Finally, if the TTIP is to be a 21st century agreement, its ambition must not be diminished through sector and product exclusions. Exclusions for products in the United States will trigger exclusions for other products by the EU, undermining opportunities for market access gains. For the TTIP to be a truly landmark agreement, it should cover all goods and eliminate all tariffs, tariff-rate quotas and other market access barriers among TTIP members, even for what have been termed sensitive commodities. In that regard, it must address prohibitive tariff and non-tariff market access barriers, particularly for raw and refined sugar as well as for many further processed sugar-containing products.

The U.S. sugar industry is competitive and can manage such a transition, and consumers and food and beverage manufacturers in both the U.S. and EU will benefit enormously.