SWEETENER USERS ASSOCIATION

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Submission of the

SWEETENER USERS ASSOCIATION

To the

U.S. INTERNATIONAL TRADE COMMISSION

Pursuant to

Investigations TA-131-037 and TA-2104-029

U.S.-EU Transatlantic Trade and Investment Partnership Agreement: Advice on the Probable Economic Effect of Providing Duty-Free Treatment for Imports

June 18, 2013

The Sweetener Users Association appreciates the opportunity to provide information and perspective to the U.S. International Trade Commission on the effects of providing duty-free treatment for sugar imports under the proposed Transatlantic Trade and Investment Partnership Agreement (TTIP). SUA's members use sugar and other nutritive sweeteners in their business operations. Our membership includes confectioners, beverage companies, food manufacturers, bakers, dairy product manufacturers, cereal makers and other companies, along with the trade associations that represent these firms.

SUA has a long history of supporting U.S. trade agreements and negotiations, including the WTO Doha Development Round, NAFTA, CAFTA, the FTAs with Colombia, Panama and Korea, and the pending Trans-Pacific Partnership. These trade agreements are consistent with SUA's goals of more open and liberal trade policies.

The Sweetener Users Association (SUA) welcomes the prospect of establishing more open sugar trade between the United States and the European Union. The EU is our top overall trading partner, narrowly edging out Canada. However, certain sugar trade barriers remain and the TTIP negotiations are an opportunity to reduce or remove those barriers.

Need for a comprehensive agreement

We strongly support the efforts of the U.S. government to achieve substantial improvements in market access in the TTIP negotiations. Yet for this opportunity to be realized, the TTIP must provide a meaningful and ambitious result on agriculture that will create a new environment of trade liberalization with real commercial benefits that extend well beyond agriculture. Experience gained from previous FTA negotiations illustrates why the agriculture chapter of this new agreement must include sugar.

SUA urges U.S. trade policy makers to remain steadfast in their insistence upon an ambitious result for agriculture in the TTIP. 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 the 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. Subsequently, South Korea succeeded in denying U.S. rice producers access to the Korean market in the U.S.-Korea FTA.

It is 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 new market access to markets in the European Union. We understand the difficult and challenging work that negotiators face in the months ahead, but we believe a comprehensive and commercially meaningful agreement is attainable.

We believe market access must be liberalized for all products, so no products should be excluded from the negotiations. Nor should the TTIP permit the *de facto* exclusion of any products through merely token tariff cuts and minimal quota expansion. Maintenance of high tariffs and limited access for specific commodities will deny opportunities for market-based growth and undermine the prosperity that open trade makes possible for all TTIP countries.

It is also important for TTIP to cover sugar because a higher portion of world sugar production is traded internationally than is the case for many other commodities, including wheat, rice, coarse grains, and oilseeds. If negotiators again make the mistake of taking sugar off the table, other commodities are likely to follow. The inclusion of sugar is a critical means of assuring that other commodities, of which the United States is a net exporter, similarly benefit from reduced EU trade barriers.

The U.S. and EU sugar markets

The United States and European Union are major producers and consumers of sugar. Together they account for 14 percent of world production and 16 percent of consumption. The EU ranks third in production, after Brazil and India, and second in consumption, after India. The U.S. ranks sixth in production and fifth in consumption.

The United States also relies on corn sweeteners for almost half of its caloric sweetener needs. In contrast, the EU tightly controls production 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 the sweetener itself.

Both the U.S. and EU are major net importers of sugar – 3 million metric tons on a refined basis for the U.S., and 3.5 million metric tons for the EU (Table 1). But sugar is a good example of why trade liberalization is necessary. Both 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. And throughout the period, prices in both markets have been much higher than world market prices.

Table 1
U.S and EU Sugar Trade

	2009/10	2010/11	2011/12	2012/13
	1,000 metric tons, refined value			
European Union				
Imports	2,499	3,568	3,498	3,336
Exports	100	45	58	58
Net imports	2,399	3,523	3,440	3,278
United States				
Imports	2,814	3,168	3,077	2,514
Exports	179	210	228	169
Net imports	2,635	2,958	2,849	2,345

Opening up sugar trade between the U.S. and the EU could help even out the supply dislocations that resulted in such disparate 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, US cane mills could export raw sugar to refineries in Europe, and US beet processors and coastal cane sugar refineries could export high quality refined sugar to that market. In fact over the past year, Tate & Lyle – a refiner in the United Kingdom that is a subsidiary of American Sugar Refining (the producer of the Domino brand here) – has been clamoring for greater access to raw sugar imports. The company even sued the European Commission for damages stemming from the Commission's management of sugar imports.

Economic impact of removing duties

The 2008 farm bill restricts the ability of the Secretary of Agriculture to allow additional imports into the United States as needed in each marketing year. Since passage of the 2008 farm bill, extremely tight sugar supplies in the U.S. market have caused historically high prices that cost U.S. consumers and food manufacturers up to an additional $3.5 billion each year according to a November 2011 study by Iowa State University economists entitled "The Impact of the U.S. Sugar Program." This is consistent with estimates by Agralytica showing a consumer cost impact over the 2008/09 to 2011/12 period averaging $3.7 billion per year. One clear economic impact of opening this market to imports of European sugar would be a reduction in this de facto tax on consumers.

There would also be a positive impact on employment. The same Iowa State University researchers found that reforms of U.S. sugar policy to allow the market to be more competitive could add up to 20,000 new jobs each year in the sugar-using industry sector. According to U.S. Census Bureau data, the U.S. sugar-using sector has lost 127,000 jobs between 1997 and 2011 as shown in the Table 2, while the non-sugar using food industries have actually added jobs.

Table 2

Employment in U.S. Food and Beverage Industries

Industry	1997	2011	Absolute change	% change
Sugar-using industries				
Breakfast cereal mfg	14,396	11,510	-2,886	-20.0%
Choc. & confec. Mfg. from cacao beans	9,946	7,297	-2,649	-26.6%
Confec. Mfg from purchased choc.	32,871	26,385	-6,486	-19.7%
Nonchocolate confectionary mfg.	25,512	18,526	-6,986	-27.4%
Frozen food mfg.	94,192	85,457	-8,735	-9.3%
Fruit & veg canning, pickling., & drying	97,384	75,413	-21,971	-22.6%
Ice cream & frozen desert mfg.	19,786	18,901	-885	-4.5%
Bread & bakery product mfg.	222,596	187,202	-35,394	-15.9%
Cookie, cracker & pasta mfg	64,401	47,356	-17,045	-26.5%
Snack food mfg	46,609	42,177	-4,432	-9.5%
Flavoring syrup & concentrate mfg	6,243	6,718	475	7.6%
Soft drink & ice mfg	83,256	63,727	-19,529	-23.5%
Sub-total	**717,192**	**590,669**	**-126,523**	**-17.6%**
Other food & beverage				
Animal food mfg.	46,651	43,104	-3,547	-7.6%
Flour milling & malt mfg	17,877	15,554	-2,323	-13.0%
Starch & veg fats & oils mfg	26,970	23,435	-3,535	-13.1%
Dairy product (except frozen) mfg	112,082	111,889	-193	-0.2%
Animal slaughtering & processing	464,991	474,400	9,409	2.0%
Seafood product prep & packaging	40,763	29,686	-11,077	-27.2%
Tortilla mfg	11,303	14,421	3,118	27.6%
Coffee & tea mfg	12,895	12,934	39	0.3%
Seasoning and salad dressing mfg	26,055	31,171	5,116	19.6%
All other food mfg	56,886	62,237	5,351	9.4%
Breweries	34,251	23,061	-11,190	-32.7%
Wineries	18,193	33,737	15,544	85.4%
Distilleries	6,417	5,657	-760	-11.8%
Sub-total	**875,334**	**881,286**	**5,952**	**0.7%**
Sugar manufacturing				
Sugar manufacturing	16,547	12,803	-3,744	-22.6%
Total food & beverage	**1,609,073**	**1,484,758**	**-124,315**	**-7.7%**

Source: U.S. Census Bureau, Economic Census & Annual Survey of Manufactures

In a separate study in 2006, the Department of Commerce found that for every sugar industry job saved, three were lost in the sugar-using sector. Given the devastating impact of policies causing tight sugar supplies in the U.S. market, we encourage the USITC to view TTIP as an opportunity to gain access to much-needed refined sugar for the U.S. market.

The impact on the U.S. sugar industry of adding the members of the European Union to the list of countries permitted to export specific quantities of sugar to the United States at zero duty would be modest. The U.S. beet sugar industry is the lowest cost producer of beet sugar in the world, and U.S. cane sugar producers are vertically integrated into refining and should prosper in a less regulated market. The study by the Iowa State University researchers found that even with complete elimination of the sugar program the domestic industry would survive quite well. The econometric model results showed the following:

> "U.S. sugar production declines by about 10% during the first half of the projection period and then recovers to the 2011/12 level by 2020/21. Domestic sugar deliveries rise by a little more than 15% as consumers respond to the lower prices and as U.S.-produced foods and beverages replace products that were formerly imported. The United States once again becomes a net exporter of sugar-containing products after 15 years as a net importer due to the sugar program."

Objectives for TTIP

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

- **Expanded tariff-rate quotas** for raw and refined sugar to permit the entry of substantially greater quantities with these TRQs ultimately abolished;
- **Deep reductions in the over-quota tariffs** on raw and refined sugar imports;
- **All sugar products, including sugar-containing products must be subject to negotiation** and the final agreement must actually include all such products;
- **Limitation of sugar tariff lines** for sensitive product treatment; and
- TTIP should lead to **reductions in sugar market access barriers and not new restraints on sugar trade**.

Conclusion

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 sugar market access barriers, particularly for refined sugar as well as many further processed sugar-containing products.

Sugar is a critical issue in fully maximizing the benefits of the TTIP. Liberalization of sugar trade will allow EU members to sell meaningful quantities of sugar in the U.S. market and open the door for other segments of our economy to gain access to significant new markets. The U.S. sugar industry is competitive and can manage such a transition, and consumers and U.S. food and beverage manufacturers will benefit enormously.