June 7, 2002

The Honorable Philip M. Crane, Chairman
Subcommittee on Trade
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

Re: H.R. 1786, "A Bill to Impose Tariff-Rate Quotas on Certain Casein and Milk Protein Concentrates"

Dear Mr. Chairman:

Kraft Foods North America, Inc. ("Kraft") is pleased to have the opportunity to submit its views to the Committee on Ways and Means concerning H.R. 1786, a bill that would impose new and unprecedented tariff barriers on the importation of certain milk protein products, including caseins, caseinates, casein derivatives, and milk protein concentrates ("MPC").
Kraft urges the Committee to reject H.R. 1786 because it is contrary to the public interest and in violation of our country's trade commitments. In addition, H.R. 1786 does not meet the Committee's criteria for inclusion in a miscellaneous trade package because it is neither a technical correction nor a duty suspension, and because it has attracted controversy.

Kraft, a major U.S. food producer headquartered in Northfield, Illinois, stands to be injured by the enactment of H.R. 1786 in two respects. First, because Kraft is a purchaser of MPC for use in manufacturing various finished food products, the competitiveness of these finished food products would be significantly impaired in the marketplace. Second, because H.R. 1786 would violate our country's obligations under its trade agreements for imports of MPC, casein, caseinates, and casein derivatives, Kraft and other food exporters would

be vulnerable to injury from demands for compensation and retaliatory tariffs imposed on U.S. food exports by our country's trading partners.
Under current law, MPC is classified in subheadings 0404.90.1000 and 3501.10.1000, HTSUS. Goods classified under either provision are subject to duty at 0.37 cents per kilogram and are not subject to any tariff-rate quota or quantitative limitation. H.R. 1786 would impose prohibitive ex-quota tariffs of $1.56 per kilogram (for MPC classified in subheading 0404.90, HTSUS) and $2.16 per kilogram (for MPC and other milk protein products classified in heading 3501, HTSUS).

Kraft sees no justification for the bill's subjecting U.S. food producers to substantially increased costs for MPC and other important food ingredients. Nor has a justification been presented for the bill's subjecting U.S. food exporters to the loss of overseas markets for their goods, as well as increased competition in the U.S. market from foreign manufacturers that are not subject to such prohibitive tariffs. The bill would inevitably encourage the location of manufacturing facilities in other countries where the cost of these ingredients would be lower.

The bill is further flawed in attempting to erect prohibitive new trade barriers for imports of products critical to Kraft's manufacturing operations, such as MPC, that are not made in the United States. In an attempt to protect an industry that does not exist in the U.S., the bill would injure domestic food producers such as Kraft and be contrary to the interests of U.S. consumers and the U.S. economy at large.

For all the reasons stated above, H.R. 1786 should not receive favorable action and should not be included in miscellaneous trade legislation developed by the Committee on Ways and Means.

Thank you for considering Kraft's comments concerning this matter.

Respectfully submitted,

Mary Kay Haben