

# **SWEETENER USERS ASSOCIATION**

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## **Oral Statement of Thomas Earley for the SWEETENER USERS ASSOCIATION**

To the

### **U.S. INTERNATIONAL TRADE COMMISSION**

Pursuant to

**Investigations TA-131-036 and TA-2104-028**

### **U.S.-Trans-Pacific Partnership Free Trade Agreement Including Canada and Mexico: Advice on the Probable Economic Effect of Providing Duty-Free Treatment for Imports**

**September 12, 2012**

Thank you, Mr. Chairman. I'm Tom Earley, Vice President of Agralytica, a food and agricultural consulting firm, and I am here today in my capacity as economist for the Sweetener Users Association.

SUA has a long history of supporting trade liberalization efforts because its members suffer from the effects of one of our country's most protectionist policies – the US sugar program. We continue to fight for Congressional reform of that program, but in the interim we support any trade negotiations that promise to increase access to sugar from other countries.

The Commission's own periodic studies of the economic impact of significant US import restraints document the deadweight economic loss that the sugar program imposes on the economy. We believe that a more market-oriented, less protectionist policy would better serve the national interest. We also believe that the Trans-Pacific Partnership negotiations can help move us in that direction and lay the groundwork for future progress towards sugar trade liberalization. Thus we have been

strongly supportive of the initial effort and of the inclusion of Canada and Mexico in the negotiations.

I have just three specific points to make this morning. They deal with ambition, net trade surplus rules, and rules of origin.

### **Ambition**

SUA wants an ambitious result for agriculture in the TPP. We saw the predictable result of denying Australia access to the U.S. sugar market. It simply allowed South Korea to deny U.S. rice producers access to the Korean market.

It is vital that U.S. trade negotiators not make this same mistake again and allow exclusions in the TPP that will undermine opportunities for U.S. agriculture to gain new market access to partnering countries. We think everything should be on the table, including sugar trade with Australia.

### **Net trade surplus rules**

Point 2: we strongly oppose the net trade surplus rules that have been used in some of our FTAs.

Agricultural trade is important to the United States even for products in which we are a net exporter. Beef is the perfect example. Historically, we have always been a significant net importer of beef. Only in 2011 were we a net exporter. If beef market access negotiated in our various FTAs were contingent on having a net exportable surplus each year, there wouldn't have been any.

There are many reasons why countries are not pure exporters or pure importers, such as geography, product differentiation, or seasonality. In the case of sugar, most of the TPP candidate countries export sugar even though all but two are net importers. Imposing arbitrary net exporter criteria on market access commitments is simply a bad idea promoted by domestic interests that want special protections against import competition. We especially do not want to see any new limits on sugar trade with Mexico which is already totally free under NAFTA. And we think Canada should have more access to the US market despite being a net sugar importer.

## **Rules of origin**

Rules of origin are another key issue in the negotiations. SUA supports regional cumulation. Without it, the TPP will only be a collection of differing individual FTAs instead of a comprehensive, regional approach to trade.

## **Economic impact**

Finally, the point of your investigation is to look at potential economic impacts. We believe that any liberalization of trade in sugar and sugar-containing products that can be achieved through the TPP will have an unambiguous positive impact on the US economy. The simple facts are that in recent years, the U.S. has consumed at least 11 million tons of sugar annually, but domestic production from both sugar beet and cane producers has averaged about 8 million tons. This means that every year, the United States must import approximately 3 million tons of sugar. Sugar is therefore a critical factor in fully maximizing the benefits of the TPP. Liberalization of sugar trade will allow TPP countries 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.

I would be happy to answer any questions.