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Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

RE: Request for Comments on Negotiating Objectives for a U.S.-European Union Trade Agreement, Federal Register, November 15, 2018, Docket No. USTR-2018-0035, pp. 57526-57527.

These comments on the proposed U.S.-European Union (EU) Trade Agreement are submitted on behalf of the Sweetener Users Association (SUA). Members of SUA are companies who use sugar and other nutritive sweeteners in making foods and beverages, as well as trade associations representing these and other companies.

Inclusion of Agriculture and Food in Any U.S.-EU Agreement

SUA supports negotiation of a trade agreement with the EU. However, we share the position of the Administration and the overwhelming majority of the U.S. farm and food industries that agriculture and food must be included in the negotiations. We take this view because –

- U.S. agriculture is heavily dependent on export markets, and is one of the few economic sectors in the United States to consistently run a substantial surplus in merchandise trade;
- Farmers and food manufacturers have been harmed by the retaliatory tariffs imposed by numerous U.S. trading partners, making increased access to foreign markets even more important than it normally is;
- Both production agriculture and food manufacturing in the United States are highly efficient and competitive industries that face significant tariff and non-tariff barriers in the EU market; and

- The exclusion of agriculture would be a sharp departure from several decades of trade agreements, to the detriment of U.S. businesses, farmers and workers, and would legitimize the EU approach of seeking selective trade agreements that are primarily to its own benefit.

Export Opportunities to the European Union

We ask that the Office of the U.S. Trade Representative give priority to eliminating tariffs on exports of sugar-containing products (SCPs) to the EU. Annual U.S. exports of these goods, ranging from confectionery to drink mixes and many other products, have amounted to 2.9-3.4 million metric tons over the past five years, according to data compiled by the consulting firm Agralytica. The firm calculates exports in Chapters 17, 18, 19, 20, 21 and 22 of the Harmonized Tariff System of the United States (HTSUS). Products in these chapters are SUA's priorities for enhanced market access to the European Union market. An appendix to these comments provides relevant products at the 10-digit level, as assembled by Agralytica.

Separate EU-specific data maintained by the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA) show that in 2017, the value of selected exports to the EU for the following categories was –

- For sugar, sweeteners and beverage bases, \$53 million;
- For chocolate and cocoa products, \$64 million;
- For breakfast cereals, \$14 million; and
- For product in a broad snack food category (not all of which would contain significant amounts of sugar), \$108 million.

Because of the importance of the U.S. Sugar Containing Products Re-Export Program to goods in this sector, we also ask that USTR ensure that EU market access concessions do not discriminate against U.S. goods benefiting from this program. The re-export programs operated by FAS keep jobs in the United States by offsetting incentives to locate production offshore that are created by the U.S. sugar subsidy program.

Enhancement of the Adequacy of U.S. Sugar Supplies

SUA strongly believes that the EU's sugar sector should be included in any U.S.-EU trade agreement. Since the United States seeks the inclusion of agriculture in these trade negotiations, we cannot exclude a major agricultural sector like sugar. Otherwise, we would provide EU negotiators with an excuse to deny access to our nation's farmers, food manufacturers and workers for access to the EU market.

A trade flow of sugar that would be beneficial is EU white (i.e. refined) sugar that could enter the U.S. market. Currently, EU refined sugar is subject rather high import tariffs of 16.25 cents per pound, so the flow of refined EU sugar to the U.S. is almost non-existent.

Providing access to refined sugar from the EU can benefit the United States by enhancing the adequacy of supplies in our market. Unfortunately, the complex policies that govern U.S. sugar markets create structural tendencies toward shortage and inadequate supplies. This market distortion results from the interaction of the U.S. sugar price support program, the tariff-rate quotas (TRQs) operated under Additional U.S. Note 5 to Chapter 17 of the HTSUS (the “WTO quota”), and the current antidumping and countervailing duty suspension agreements with Mexico.

Part of our market’s supply problem is that we consistently fail to fill the entire WTO TRQ for raw sugar. TRQ shortfalls stem from the fact that the country allocations established by USTR are outdated, reflecting trade patterns that prevailed from 1975-81. Since many countries that produced and exported sugar at that time no longer do so, the failure to update allocations leaves the U.S. dependent on reallocating quotas within the fiscal year, a process which can be time-consuming and cumbersome. A quota for the EU would not eliminate the shortfall problem, but it would compensate for some of the supply problems stemming from the design of the current TRQ.

The EU is not a significant producer of sugarcane or raw sugar, so market access would need to come in the form of refined sugar. The relevant products are essentially those enumerated in Additional U.S. Note 5 to Chapter 17 of the Harmonized Tariff Schedule of the United States: 1701.12.10, 1701.91.10, 1701.99.10, 1702.90.10 and 2106.90.44, i.e., in-quota refined sugar.

SUA strongly recommends that in the case of the EU, refining should confer origin, i.e., sugar refined in the EU from imported raw sugar should enjoy access to a U.S. quota. In the alternative where the two countries conclude an agreement that does not provide for refining to confer origin, SUA would support a quota for refined sugar produced from sugarbeets grown in EU member states.

We recommend that the size of the EU quota be related to the average TRQ shortfall in recent years, as shown in the table below, taken from reports from USDA’s Foreign Agricultural Service and (for 2018) the November 2018 *World Agricultural Supply and Demand Estimates* also published by USDA. For the most recent six fiscal years through 2018, the shortfall has averaged well over 200,000 metric tons, raw value (MTRV).

Fiscal Year	Shortfall (MTRV)
2013	515,441
2014	214,859
2015	62,875
2016	113,450
2017	76,276
2018	254,000
6-year average	206,150

Shortfalls are not the only relevant factor justifying a TRQ for the EU. Under the U.S.-Mexico suspension agreements, our domestic market is shaped by political formulas that appear designed to deliberately short the U.S. market, notably by basing market access for Mexico on an unreasonably low 13.5% ratio of ending stocks to total use. In our view, a meaningful quota for the EU can help to offset the harm caused by both the suspension agreements' methodology and the perennial shortfall in the main WTO TRQ.

Allowing for all of these market factors, we believe a refined sugar TRQ of 250,000 short tons, raw value (STRV) or approximately 227,000 MTRV would be an appropriate outcome in a U.S.-EU Trade Agreement. We note that such a quota will not threaten the operation of the U.S. sugar price support program, since quotas under trade agreements are deducted from quantities made available to Mexico. Instead, a modest quota of the magnitude we have suggested would be a positive development for supply adequacy, and would encourage growth in food manufacturing in the United States rather than offshore.

Thank you for your consideration of SUA's views.

Sincerely,



Richard Pasco
President

Appendix: Priority Products for Export to the European Union

Chapter 17

CANE/BEET SUG REF SOLID FLV/CLR, BEV BASE, RETAIL	1701911020
CANE/BEET SUG REF SOLID FLV/CLR BEV BASE NT RETAIL	1701911040
CANE/BT SUG REF SOLID, FLV/CLR EXC BEV BASE RETAIL	1701913020
CANE/BEET SUG REF SOLID FLV/CLR NOT RETAIL NESOI	1701913040
SUGARS AND SYRUPS, NESOI, DERIV FR SGR CANE/BEETS	1702904500
SUG/SYRUP NT FLAV/COLR NESOI; ARTFL HONEY; CARAML	1702905000
CHEWING GUM, WHETHER OR NOT SUGAR COATED	1704100000
CONFECTIONS/SWEETMEATS, READY FR CONSUMPTN, NO COC	1704903000
SUGAR CONFECTIONERY, WITHOUT COCOA, NESOI	1704907000

Chapter 18

CONFECTIONERS COATINGS/PRODS 6.8% COCOA SOLID BULK	1806206000
COCOA PREPARATIONS IN BULK FORM, NESOI	1806209000
CHOC/COCOA PREP CONFECTNRY BLK/BAR NOTOV2KG FILLED	1806310040
CHOC/COCOA PREP NONCNFCTNRY BLK/BAR NTOV2KG FILLED	1806310080
CHOC/COCOA PREP CONFCTNRY BLK/BAR NTOV2KG NT FILLD	1806321000
CHOC/COCOA PREP BAR ETC NTOV2KG EXC FILLD/CNFCTNRY	1806323550
CONFECTIONERY, COCOA FOOD PREPS, NESOI, FOR RETAIL	1806900063
COCOA PREPS EXCEPT CONFECTIONERY NESOI, FOR RETAIL	1806900073
CONFECTIONERY, COCOA FOOD PREPS, NESOI, NOT RETAIL	1806900083
COCOA PREPS, NESOI, NOT FOR RETAIL, EX/CONFETIONERY	1806900093

Chapter 19

PREPARATIONS FOR INFANT USE, FOR RETAIL SALE	1901100002
MIXES AND DOUGHS FOR COOKIES, WAFFLES AND WAFERS	1901200005
MIXE & DOUGH FOR PASTRY/CAKE/GINGERBREAD/PUDDING	1901200015

MIXES & DOUGHS, NESOI, CONTAIN LT 40% COCOA POWDER	1901200025
PUDDINGS READY TO EAT WITHOUT FURTHER PREPARATION	1901902500
MALTED MILK	1901903020
ARTICLES OF MILK OR CREAM NESOI	1901903040
SWELLING/ROASTING CEREAL/CEREAL PRODUCT CONT SUGAR	1904100040
BREAKFAST CEREAL, W/SUGAR	1904100045
PREP FOOD FROM UNROASTED CEREAL FLAKES/MIXTURES	1904200000
BREAKFAST CEREAL, PREP	1904900020
BREAKFAST CEREAL, PREP, NES	1904900040
CEREALS(NOT CORN),NESOI, PRECOOK/OTHRWS PREP FROZN	1904900120
CEREAL NT CORN GRAIN FORM PRECOOK/OTHRWS PREP NESOI	1904900140
GINGERBREAD AND THE LIKE	1905200000
SWEET BISCUITS,FROZEN	1905300020
SWEET BISCUITS,NESOI	1905300040
COOKIES (SWEET BISCUITS)	1905310000
WAFFLES AND WAFERS	1905320000
PASTRY/CAKE ETC & PUDDING, W/NT CONT CHOC ETC FRZN	1905901041
BREAD/BISCUIT ETC, W/NT CONTAIN CHOC ETC FROZEN PASTRY/CAKE/PUDDING WHETHER/NT CONT CHOC ETC NESOI	1905901049
	1905901050
BREAD/BISCUITS/SIMILAR BAKED PRODUCTS, NESOI	1905901080

Chapter 20

VGTBLS/FRUIT/NUTS/FRUIT-PEEL ETC, PRSRVD BY SUGAR	2006005550
HOMOGENIZED PREPARATNS OF FRUIT	2007100000
CITRUS FRUIT PASTES AND PUREES, COOKD W/N SWEETEND	2007911000
CITRUS FRUIT JAMS/JELLIES/MARMALADES, COOKED PREPS	2007916000
FRUIT/NUT PASTES & PUREES NESOI COOKED W/N SWEETND	2007998000
JAMS/FRUIT JELLIES/MARMALADES NESOI, COOKED PREPS	2007999000
PEANUT BUTTER	2008111000

Chapter 21

COFFEE EXTRACTS/ESSENCES/CONCENTRATES \$ PREP	2101120000
TEA OR MATE EXTRACTS/CONCENTRATES & PREPS, NESOI	2101200040
TOMATO KETCHUP	2103202000
MIXED CONDIMENTS AND MIXED SEASONINGS	2103909070
SAUCES AND PREPARATIONS THEREFOR, NESOI	2103909090
HOMOGENIZED COMPOSITE FOOD PREPARATIONS	2104200000
HOMOGENIZED COMPOSITE FOOD PREPARATIONS	2104200002
ICE CREAM, WHETHER OR NOT CONTAINING COCOA	2105000010
EDIBLE ICE, WHETHER OR NOT CONTAINING COCOA, NESOI	2105000060
FOOD PREPARATIONS OF GELETIN, NESOI	2106905800
PREPS FOR MANUF BEVERAGES CONT CANE/BEET SUGAR	2106906672
PREPARATIONS FOR MANUFACTURE OF BEVERAGES, NESOI	2106906673
CONFECTIONERY INCL GUM CONTNG SYNTHETIC SWEETENERS	2106906685
EDIBLE PREPS, NOT CANNED/FROZEN, CONT SUGAR, NESOI	2106906697

Chapter 22

CARBONATED SOFT DRINKS, NOT CONTAINING HIGH-INTENSITY SWTNER	2202100040
WATERS INCL MINERAL & AERATED, SWTND/FLAVORD NESOI	2202100060
BEVERAGES NONALCOHOLIC NESOI EXCL FRUIT/VEGT JUICE	2202999000