Oral Statement by Thomas Earley
On behalf of the
SWEETENER USERS ASSOCIATION
to the
U.S. INTERNATIONAL TRADE COMMISSION
Pursuant to

Trans-Pacific Partnership Agreement: Likely Economic Impact on the U.S. Economy and on Specific Industry Sectors Investigation No. TPA-105-001

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Good morning. My name is Tom Earley. I'm vice president of Agralytica, an economic consulting and market research firm specializing in food and agriculture. I'm also the economist for the Sweetener Users Association (SUA) and I'm here today on their behalf.

SUA members believe the TPP Agreement will indeed have positive impacts on the U.S. economy as a whole, and they support its passage. But those impacts would have been even more impressive if the sugar provisions in the agreement had been commercially significant with respect to market access.

The U.S. government has pursued bilateral and multilateral trade liberalization in various agreements for decades with the objective of enhancing commerce, boosting economic growth and expanding export-oriented employment. While some domestic industries assert they are adversely affected by tariff reductions or the loss of other protections against competition from imports, the overall impact of trade liberalization has been to increase the efficiency of the economy and improve national economic welfare.

In this context, the intensely protectionist U.S. sugar program has clearly reduced the potential positive economic impacts of trade agreements implemented over the last 25 years and is doing so again in the TPP context. Unfortunately, once the United States tells other countries that the sugar program is sacrosanct, those countries have a ready-made excuse to hold out against market access concessions on their specially protected agricultural sectors. The result is that the 98 percent of U.S. agriculture that does *not* produce sugar crops gets less access to foreign markets than it otherwise might have gained. The effect also spills over into the services and manufacturing sectors.

The best example and the one most often cited by observers in recent years is probably South Korea's refusal to make any concessions on rice into its market as part of the U.S.-Korea FTA. The U.S. set the pattern in the U.S.-Australia FTA when it refused to provide any access for Australian sugar into the U.S. market.

As the TPP negotiations drew to a close, various countries offered minor concessions on market access for sugar and sweeteners in the agreement. Those offered by the United States and its negotiating partners were summarized in our pre-hearing brief. We appreciate the fact that sugar trade was actually addressed by our negotiators. However, the additional access to the U.S. sugar market offered to TPP partner countries is negligible – a mere 72,000 metric tons in aggregate, well below 1% of domestic consumption – and it does little to liberalize regional trade in sugar. We believe that the United States should be taking a leading role in eliminating protectionist practices that distort world sugar trade.

The lack of significant additional access to foreign raw sugar for domestic cane sugar refiners is of special concern because these facilities are operating at an unacceptably low level of capacity utilization that threatens their future viability. The looming demise of the Hawaiian sugarcane sector will only worsen the situation of not having enough raw sugar to supply U.S. refineries. The cane sugar refining industry is critical infrastructure for the domestic food system, serving as the shock absorber whenever there is a poor sugar beet crop or some other disruption to U.S. sugar supplies. Growing demand for foods that are not genetically engineered is also creating additional demand for cane sugar that cannot be met by domestic beet sugar manufacturers. In this regard, the role of cane refiners – and the need to keep them adequately supplied – is likely to become even more critical in the years ahead.

Domestic sugar production is less than 75% of annual requirements. U.S. imports of sugar have exceeded 3 million short tons, raw value, in each of the last 7 years, averaging almost 3.5 million tons. Since the sum of existing WTO and FTA sugar TRQs is less than half that amount, there is no good reason why the United States should not have provided greater assured minimum access to the U.S. sugar market for reliable trading partners like Australia and Canada.

U.S. sugar policies have traditionally limited U.S. cane sugar refiners' imports of raw sugar, putting refiners at a competitive disadvantage relative to producers of beet sugar. However, the failure of recent FTAs to increase access to the U.S. sugar market – as U.S. consumption has risen – has made the raw sugar supply situation more problematic for refiners.

Unfortunately, the terms of the U.S.-Mexico suspension agreements have now made it more difficult for U.S. cane refiners to access raw material from Mexico and may threaten the future viability of one or more refineries.

SUA members believe that a viable and competitive cane refining sector is fundamental to America's food security, and is especially critical to the smooth operation of those segments of the U.S. food industry that use sugar. These industries employ nearly 600,000 Americans. It is essential that cane sugar refiners have sufficient access to imported raw sugar to meet the growing demand for their products. To the degree that FTAs unduly restrict such access, threatening the viability of these essential businesses, the economic impact on the country will be negative.

SUA members also believe that freer trade is beneficial to their industries and to the nation's economy, and they support passage of the TPP agreement. However, one can only conclude that the U.S. sugar program reduced the potential economic gains from the agreement. With the end of free trade with Mexico under the suspension agreements, there is now little, if any net positive economic effect provided by FTAs for sugar consumers or food and beverage manufacturers dependent on sugar as an ingredient.

Thank you. I will be happy to answer any questions.

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