SUBMISSION OF THE AMERICAN SUGAR ALLIANCE
United States International Trade Commission
U.S.-EU Trade Agreement
Advice on the Probable Economic Effect of
Providing Duty-Free Treatment for Imports
Investigation Nos. TA-131-044 and TPA 105-005
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ORAL STATEMENT

The American Sugar Alliance – the national coalition of American sugarbeet and sugarcane growers, processors, and refiners – very much appreciates the opportunity to present our views and concerns to the Commission.

Our industry serves two critically important roles. First, we supply American consumers with a safe, reliable and affordable source of an essential food ingredient. Second, the U.S. sugar industry provides for 142,000 jobs across America and generates nearly $20 billion annually to the U.S. economy.

An effective U.S. sugar import policy is essential to deal with the chronically depressed world "dump" market for sugar – grossly distorted by a wide array of subsidies and other unfair trade practices, with prices generally well below the average cost of production of nearly all sugar-producing countries.

Thus, the U.S. is a very attractive market to foreign sugar exporters – one to which they are likely to direct as much of their production as is possible. If unchecked, these dumped and subsidized imports would wreak havoc on the highly efficient U.S. sugar industry.

The damage that imports of subsidized and dumped sugar can wreak on our domestic market was demonstrated in 2013 when Mexico unleashed a flood of dumped and subsidized sugar into the U.S. market. Before this situation was remedied by this Administration's revision of the Suspension Agreements, American growers and refiners had lost an estimated $4.5 billion and for the first time in over a decade U.S. sugar policy incurred a budgetary cost ($259 million).

Probable Economic Effect of Duty-Free Treatment of Imports of EU Sugar and SCPs

The existing market access commitments on sugar in the WTO, NAFTA/USMCA, and other FTAs, which result in imports of 2.5-3 million metric tons annually, already create a risk of jeopardizing the effective operation of U.S. sugar policy, especially in light of the fact that the

Suspension Agreements cannot be regarded as permanent. Thus, we strongly oppose any additional market access commitments for sugar.

While any additional market access commitments would heighten this risk and could be very damaging to the U.S. sugar industry, **providing duty-free treatment for imports of EU sugar and our sensitive SCPs would be disastrous.**

Despite the much-touted reform of its sugar policy, the EU is by no means an open market. Unless imports enter under special, preferential arrangements, they are blocked by prohibitive tariffs. Moreover, the EU sugar industry still benefits from substantial subsidies – estimated to be $665 million in 2019.

The lifting of EU production quotas on sugar in September 2017 transformed the EU into a net exporter, with exports of sugar (including the sugar content of SCPs) totaling 5.1 MMT in 2017/18 and forecast at 4.5 MMT this year; sugar exports themselves accounted for 3.6 and 3.0 MMT of this total.

Current EU prices are essentially driven by the world dump market for sugar rather than considerations of cost of production. These dump market prices have been at extremely low levels in recent years – the result of rampant subsidization and other forms of government support and are below the cost of production of all EU sugar producers (as well as those of all other producers throughout the world).

As the U.S. price is likely to be substantially above the subsidy-driven world dump price, the opportunity for the EU to unload its surplus onto the U.S. market would prove extremely attractive. Nor should we assume that EU sugar exports to the U.S. under a duty-free regime would be narrowly limited to the EU's net export surplus. Exports could be drawn from production intended for the EU domestic market and replaced by imports from the world dump market.

Thus, duty-free access would almost certainly result in flooding the U.S. market with un-needed, subsidized sugar, cause ruinous damage to the U.S. sugar industry, result in large government expenditures, and make it virtually impossible for U.S. sugar policy to operate on the no-cost basis intended by Congress.

Moreover, trade in sugar between the U.S. and the EU would not be fair and equitable. The strict regulations and labeling requirements governing GMO products, combined with the strong anti-GMO sentiment in the EU, would prevent U.S beet sugar producers and manufacturers of products made with U.S. beet sugar from competing on a level playing field.

And as long as EU refined sugar prices are driven by the world dump market and their production is sustained by domestic subsidies, U.S. producers will be at a marked disadvantage vis-à-vis those of the EU and trade would only flow one way – to the U.S., damaging our industry.

We would also ask the Commission to bear in mind that the EU exports only refined, not raw, sugar. Excessive imports of refined sugar from Mexico were one of the chief causes of the failure of the Suspension Agreements negotiated in 2014. The revised agreements restored a more appropriate balance between imports of raw and refined sugar. Granting market access to the EU for refined sugar would undermine what was accomplished through these revised Agreements, and risk creating a serious trade problem with Mexico.

Negotiations with the EU are going to prove very difficult. There are marked differences in the U.S. and EU approaches to standards and regulation, and great uncertainty as to the treatment of agriculture. At the same time, the clear intention of the Administration is to achieve a timely result that offers real benefits to the U.S. economy. We, therefore, have urged our negotiators to pursue a very targeted approach in agriculture, focused on those products where they can expect to achieve fair and equitable trade and tangible benefits to the U.S.

Sugar and our sensitive SCPs clearly do not fall into this category and we have urged USTR to exclude them from U.S.-EU negotiations.

Any concessions to the EU on these products are unwarranted and would risk serious harm to the industry and jeopardize the operation of U.S. sugar policy. The granting of duty-free treatment for imports of EU sugar would magnify these adverse effects and be disastrous for the U.S. sugar industry and the effective operation of U.S. sugar policy.

We believe that the careful examination of the U.S. sugar market situation and the requirements of U.S. domestic sugar policy by the Commission will support this analysis and our recommendation.