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July 14, 2015

Ambassador Michael Froman
U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508
Re: Trans-Pacific Partnership and Sugar

Dear Ambassador Froman:

Recent published reports indicate that the Administration may be considering increasing Australia's access to the U.S. sugar market in the Trans-Pacific Partnership (TPP) negotiations. Heretofore, the consistent and often-repeated position of the United States in the TPP negotiations has been that it will not "reopen" current terms of access established in existing bilateral free trade agreements (FTAs) with proposed TPP partners, which meant no increased sugar access for Australia.

We have written previously to express the concerns of our members regarding the possibility of providing additional access for sugar imports from Australia and other countries in the TPP. (See May 28, 2012 letter to Ambassador Ron Kirk and September 17, 2012 letter to Ambassador Kirk.) We are writing now to reiterate these concerns as the TPP negotiations move toward conclusion.

The International Sugar Trade Coalition (ISTC) represents sugar industries in developing countries from Africa, Asia, the Caribbean, Central and South America, and the Pacific that are traditional suppliers of sugar to the U.S. market under the raw sugar tariff rate quota (TRQ).

Australia is the only developed country that exports sugar to the United States under the TRQ. All other TRQ suppliers are developing countries. (Although Taiwan also holds a TRQ allocation, it has not exported sugar to the United States in years, and its share is routinely reallocated among other suppliers.) Reflecting its status as a developed country, Australia exports literally hundreds of products to the United States. Despite the fact that Australia holds the fourth largest allocation under the raw sugar TRQ, total trade between the United States and Australia is so large that sugar accounted for less than one percent of U.S. imports from Australia in 2014. By contrast, in many ISTC countries, sugar is not only a major export and vital foreign exchanger earner, it is also a significant contributor to national income and employment. Indeed, sugar is the largest agricultural export for several ISTC members. It would be ironic if the only developed-country sugar supplier to the United States were to be given preferential access ahead of 38 developing countries for which sugar exports are of much greater relative economic importance.

Experience has demonstrated that including sugar in FTAs burdens the sugar program, which depends on management of sugar supplies by the Department of Agriculture.. Although the United States has numerous FTAs, only one of them – NAFTA – includes unlimited access for sugar. All FTAs established subsequent to NAFTA either excluded sugar altogether or imposed strict limits on any increased sugar access. The U.S. sugar program has been seriously undermined by Mexico's unlimited access under NAFTA. The Department of Agriculture has found it extremely difficult to balance supply and demand in the U.S. sugar market precisely because it is almost impossible to predict the flow of Mexican sugar into the United States. Imports from Mexico have swung wildly from approximately 700,000 metric tons (MT) to 1.9 million MT since NAFTA was fully implemented in 2008.

It is true that sugar imports from Mexico are now subject to restraint pursuant to settlement agreements following findings that the sugar was subsidized and dumped in the US market, those agreements are subject to periodic review and to possible legal challenge. But the suspension agreement has been appealed, and the Department of Commerce has resurrected the underlying proceedings despite the settlement. There is risk, therefore, that the stability created by the suspension agreements could prove illusory, and surging imports from Mexico could resume. Adding additional sugar access under TPP would at a minimum add to market instability and further undermine the no-cost U.S. sugar policy.

Moreover, GATT Article XXIV protects the quota holders' right to participate in U.S. requirements for additional imports:

Members . . . Reaffirming that the purpose of such agreements [FTAs] should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other Members with such territories; and that in their formation or enlargement the parties to them should to the greatest possible extent avoid creating adverse effect on the trade of other Members. (Emphasis added.)

But granting preferential access to Australia and other TPP countries – on top of Mexico's access under NAFTA – virtually guarantees that the quota holders will be locked into the bound minimum TRQ and, barring calamities, will never share in any growth in the U.S. market. This is a violation of the legitimate GATT rights of the quota holders.

For all the foregoing reasons, the members of ISTC urge the United States to adhere to its original position and exclude increased sugar access for Australia and the other TPP countries. We would be pleased to respond to any questions and to provide any additional information that may be useful in the Administration's consideration of this important issue.

Sincerely,

Harry Kopp, Vice President

cc: USDA Under Secretary Michael Scuse