February 3, 2012

L. Daniel Mullaney
Assistant U.S. Trade Representative for
Europe and the Middle East
Office of the U.S. Trade Representative
600 17th Street, NW, Washington, D.C. 20508

VIA Regulations.gov

Re: U.S.-EU High Level Working Group on Jobs and Growth, 77 FR 1778

Dear Mr. Mullaney:

The Corn Refiners Association (CRA) appreciates this opportunity to provide its views on opportunities to stimulate economic growth, spur job creation and increase trade and investment between the United States and the European Union.

CRA is the national trade association representing the corn refining (wet milling) industry of the United States. CRA and its predecessors have served this important segment of American agribusiness since 1913. Corn refiners manufacture starches, sweeteners, corn oil, bioproducts (including ethanol) and animal feed ingredients.

The European Union (EU) maintains a series of tariff, non-tariff and regulatory barriers that severely limit the ability of the U.S. corn refining industry to serve this market of over 500 million people. These limits have serious negative consequences for competitiveness, economic growth and job creation in our sector. Significant gains would be realized if these barriers were eliminated as a result of further trade liberalization between the United States and Europe.

Tariff Barriers

Despite major reforms in the EU Common Agricultural Policy over the past two decades, high tariffs on agricultural products remain the norm in the European Union. The chart on the next page shows EU tariffs on major refined corn products.[1]

[1] European Commission Regulation (EU) No 861/2010 of 5 October 2010 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff. € converted to $US at current exchange rates.

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Refined Corn Product	Tariff	Unit*
Unmodified Corn Starch	$219.12	MT
Crude Corn Oil	6.40%	Ad Valorem
Refined Corn Oil	9.60%	Ad Valorem
Glucose (corn) syrup	$264.00	MT
Dextrose	$353.76	MT
High Fructose Corn Syrup	$669.24	MT
Pure Fructose	16% + $669.24	MT
Corn Gluten Meal	$422.40	MT**
Corn Gluten Feed	Bound Duty Free	
Dextrins and Modified Starch	9% + $23.36	MT
Esterified/Etherified Starch	7.70%	Ad Valorem
Citric Acid	6.60%	Ad Valorem
*Metric tons **Tariff Rate Quota - 10,000 MT		

In particular, tariffs on glucose (corn) syrup, dextrose, high fructose corn syrup, pure fructose and corn gluten meal are very high. When converted to *ad valorem* equivalents these tariffs are:[2]

Glucose (corn) Syrup:	65%
Dextrose:	51%
High Fructose Corn Syrup:	178%
Corn Gluten Meal:	67%

As shown in the table on the next page, of the nearly $187 million of U.S. refined corn exports to the European Union, these highly restricted products only account for 5.5% of our exports to the European Union despite being among the highest volume products of our industry.[3]

[2] Price data from *Starch &Fermentation Analysis*, November 2011, LMC International Ltd., Oxford, UK. Crystalline fructose pricing not available. Based on export unit values except corn gluten meal, US Southwest price.
[3] USDA Foreign Agricultural Service, Global Agricultural Trade System Online, calendar year 2010.

Product	Value ($1000)	Quantity (MT)
Unmodified Corn Starch	$11,748	20,422.5
Crude Corn Oil	$3	0.1
Refined Corn Oil	$359	140.3
Dextrose	$2,054	3,111.9
Glucose (Corn) Syrup	$533	1,197.8
High Fructose Corn Syrup 42	$49	115.7
Chemically Pure Fructose	$3,391	4,040.3
High Fructose Corn Syrup 55	$329	554.9
Fructose, Solid Form	$378	162.8
Corn Gluten Feed	$88,258	623,479.0
Corn Gluten Meal	$3,608	9,544.0
Citric Acid	$2,136	914.7
Dextrin	$1,182	789.8
Modified Corn Starch	$72,888	90,294.3
TOTAL EXPORTS TO EU	**$186,916**	**754,768.1**

Non-Tariff Barriers

In addition to the tariff barriers discussed above, the European Union restricts duty-free imports of corn gluten meal through a very small tariff-rate quota of 10,000 tons. This TRQ was adopted following the accession of new member states to the European Union in 2004 to partially compensate the United States for lost market access when these countries adopted the EU tariff schedule.[4]

Corn gluten meal is a highly valued feed ingredient in the poultry and pet food markets. Because the majority of the starch manufactured in the European Union comes from wheat and potato raw materials, the quantity of this ingredient available to EU end-users is limited to approximately 300,000 tons compared to the approximately 1.5 million tons of corn gluten meal produced in the United States.[5] This limit significantly impairs market access opportunities for our industry's high quality feed ingredient corn gluten meal. As a result, economic growth and jobs for related industries in the United States and the European Union are negatively impacted.

[4] Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia
[5] Estimated by DTB Associates, LLP from Frost & Sullivan: Starch - The Inevitable Ingredient, 28 Jan 2008, http://www.frost.com/prod/servlet/market-insight-top.pag?docid=119553467

Regulations and Standards

Agricultural Biotechnology

From the mid-1970s until 2006, the European Union was the largest export market for corn gluten feed (CGF) from the U.S. corn refining industry. This market was driven by strong demand from the European livestock industry for alternatives to high-priced domestic grain which was often 200-250% above world market prices. As part of a settlement of an agricultural trade dispute in the 1960s, the European Union agreed to bind its duty on corn gluten feed at zero. As U.S. production grew from 1970 – 2000, the zero duty enabled CGF to become a valued ingredient to the EU livestock industry.

Corn gluten feed exports reached a high of over 6 million tons in the mid-1990s and gradually declined to 2.5 million tons in 2005/06 as the European Union reduced internal grain prices and levels of import protection. However, corn gluten feed remains a competitive feed ingredient in Europe.

Despite this competitiveness, the European market for CGF has dropped to near-zero levels because of the continued slow pace of EU approval of new corn traits derived from biotechnology.

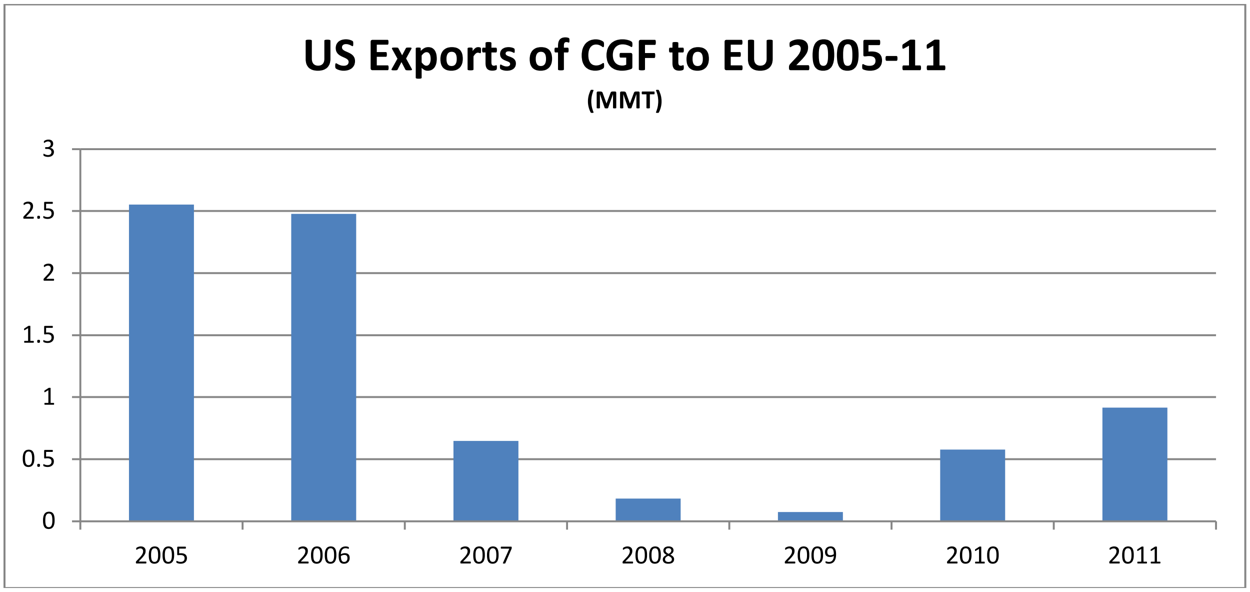
In 2003, the European Union adopted new regulations on products of agricultural biotechnology that extended the requirement for import approvals from "living modified organisms" (i.e. raw corn, soybeans, etc.) to processed food and feed produced from these crops.[6] Provisions of this regulation allowed for an adjustment period of three years during which processed feed and food additives could continue to be imported while authorization was sought for the agricultural raw materials used in their production.

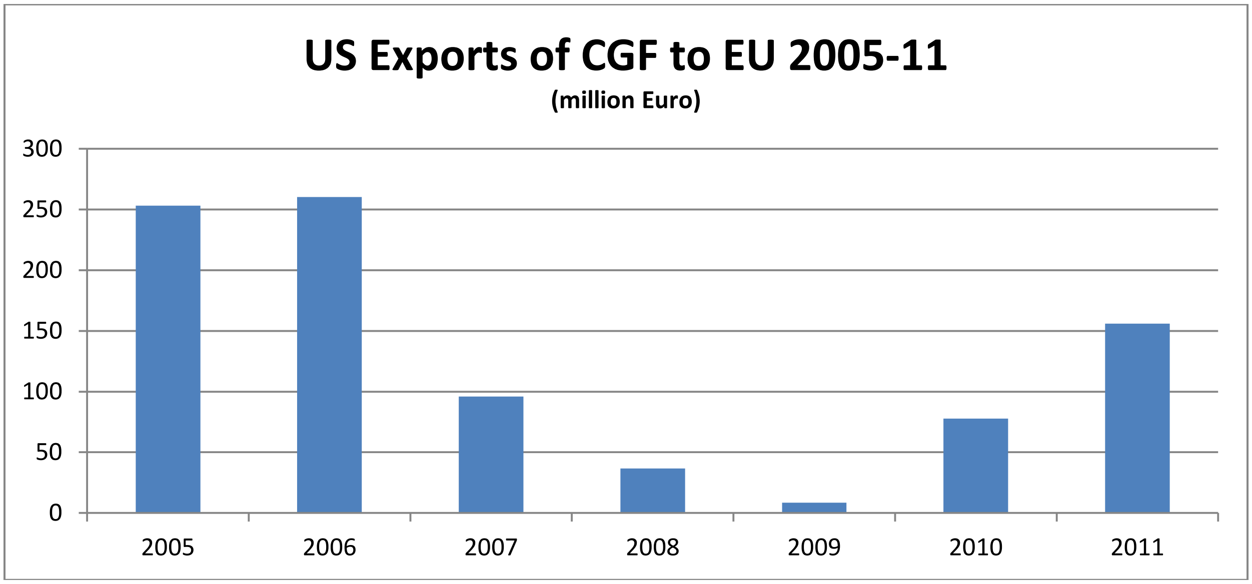
At the conclusion of this adjustment period, new biotech corn varieties were introduced in the United States and applications for authorization were filed in the European Union. However, because the pace of regulatory approval in Europe remained slow, these approvals were not complete at time of harvest and export from the United States. In a landmark WTO case brought by the United States, Canada and Argentina, a WTO panel found that the operation of the EU biotechnology authorization system was subject to "undue delay" contrary to provisions of the WTO Agreement on Sanitary and Phytosanitary Measures.[7] While the European Union continues to approve new biotechnology products, the pace remains slow and the resulting "asynchronicity" between new product introductions in major exporting countries and EU approvals has led to major disruptions in the EU market for U.S. CGF exports.

[6] Regulation (EC) No 1829/2003 of the European Parliament and of the Council of 22 September 2003 on genetically modified food and feed. Office Journal of the EU, October 10, 2003

[7] EC — Approval and Marketing of Biotech Products; WTO dispute DS291, Final Report of Dispute Resolution Panel, September 26, 2006

The result of the slow EU biotech approval process on U.S. CGF exports has been dramatic in both volume and value:[8]





In early 2010, the European Union approved a number of new biotechnology products and for a short period the EU approval list contained all corn traits planted in the United States. Sales of CGF resumed, but the three-year trade disruption required that logistical chains and supplier relationships with EU customers be re-established, limiting trade to less than half its previous level.

[8] Eurostat External Trade Database, http://epp.eurostat.ec.europa.eu/portal/page/portal/external_trade/data/database

In the fall of 2011, a new corn trait that has been awaiting EU approval since July 2009 was harvested in the United States. The same trait was also harvested in Brazil in the spring of 2011. As a result, U.S. CGF exports to Europe have again come to a halt.[9]

Production Limits on Isoglucose

Several members of the CRA have made substantial investments in starch and sweetener production in the European Union. While serving a population base sixty percent larger than the United States, the European starch industry is approximately one-half the size of its U.S. counterpart.

A major reason for the disparity in size between the two industries is that the European Union restricts production of high fructose corn syrup (known as "isoglucose" in the EU) by law. As an additional protection (beyond high import tariffs) for its internal beet sugar industry, the European Union imposed production quotas on isoglucose in 1979. According to the European starch association, current quotas limit isoglucose to no more than five percent of the combined market for sucrose and isoglucose.[10] This is in stark contrast to the 45% caloric sweetener market share held by HFCS in the United States and the 30% caloric sweetener market share in Canada and Japan. Absent these restrictions, U.S. firms could be expected to share in the investment, job creation and economic growth needed to serve a greatly expanded EU isoglucose market.

Shared Economic Goals Relating to Third Countries

With the slow pace of negotiations in the Doha WTO round, nations and regional economic integration organizations have rapidly expanded the pace of bi- and multi-lateral Free Trade Agreements (FTAs). While global economic growth is advanced by any removal of artificial trade barriers in the form of tariffs or quotas, there is an increasing risk that differences in these FTAs may introduce new artificial trade flows resulting from the structure of individual FTAs rather than market signals.

The European Union has been particularly active in negotiating bi-lateral trade agreements outside the WTO system. Currently Europe has notified the WTO of 26 bi-lateral trade agreements and is negotiating an additional 20 agreements.

WTO members are permitted to enter into such agreements provided that they meet a number of criteria, including that they apply to "substantially all trade".[11] With minimal exceptions, all FTAs concluded by the United States and other trading partners will result in elimination of

[9] "GMO fears halt EU import of U.S. corn gluten feed", Reuters UK, December 21, 2011.
[10] "The European Starch industry's Views on the Future of the Sugar Regime in the Framework of the Post-2013 CAP." Association des Amidonniers et Féculiers, Brussels, September 20, 2010.
[11] Article XXIV.8(b) of the General Agreement on Tariffs and Trade (GATT) defines a WTO-consistent free trade area as being "a group of two or more customs territories in which duties and other restrictive regulations of commerce . . . are eliminated on substantially all trade" between or among parties.

tariffs and quotas on all trade. However, similar agreements concluded by the European Union contain major exemptions from full trade liberalization, most notably agricultural products. A 2007 study sponsored by U.S. commodity groups examined two of the many bi-lateral agreements reached by the European Union with countries that also have entered into FTAs with the United States.[12]

The United States and the European Union both have entered into bi-lateral trade agreements with Mexico and Chile. The North American Free Trade Agreement removed all tariffs and quota restrictions on goods and services effective January 1, 2008. In the U.S.-Chile agreement, all trade in goods and services will be fully liberalized on an agreed time schedule.

However, the EU agreements with both Mexico and Chile exclude a substantial amount of agricultural trade. In the EU-Chile agreement, the European Union excludes 32.5% of all agricultural trade by volume and 48% of all agricultural tariff lines. In the EU-Mexico agreement, the European Union excludes approximately 18% of the volume of agricultural trade and 40% of all agricultural tariff lines. A detailed examination of other EU bi-lateral trade agreements would likely yield similar conclusions.

The different levels of coverage in trade agreements between the United States and the European Union with third countries introduce a new layer of trade distortion when a third country has free access to the U.S. market, but is barred or restricted from entering the EU market.

Effects on U.S. Job Creation and Investment

As noted throughout this submission, restrictive EU agriculture and trade policies have negatively impacted investment, job creation, export opportunities, and economic growth in the United States and specifically within the corn wet milling sector. It is clear that the dialogue now underway between the United States and the European Union to foster closer economic integration has the potential to deliver positive economic returns if these talks conclude in further trade liberalization for agriculture – and specifically for refined corn products. Employment in our sector, as well as further economic growth in the rural communities wherein our refining plants are largely located, could be significantly boosted by greater access to the EU market, especially if full trade liberalization is allowed to occur. Absent meaningful reductions in tariffs and non-tariff barriers for our industry and agriculture in general, citizens across the United States are not likely to realize the full gains from trade, including job creation and economic growth that are possible with this region of the world.

[12] Analysis of the Effects of Trade Agreements on U.S. Agricultural Exports and U.S. Market Development Programs; a Global Broad-Based Initiative Study." DTB Associates LLP, Allen F. Johnson and Associates, AgRisk Management LLC, Dan Sumner and William Matthews, Global AgriTrends. Prepared for U.S. Wheat Associates, Almond Board of California, National Pork Producers Council, Northwest Horticultural Council, USA Poultry and Egg Export Council, USA Rice Federation. U.S. Apple Association, U.S. Dairy Export Council, U.S. Grains Council, U.S. Meat Export Federation, U.S. Potato Board and U.S. Soybean Export Council

<u>Recommendations for the High-Level Group</u>

- Commence transparent, bilateral free trade negotiations that eliminates tariff, non-tariff and quota barriers, and export restitution schemes on refined corn products, as well as export subsidies and other trade distorting mechanisms that are inconsistent with a "21st century" trade agreement.
- Convene an official group within the high-level dialogue that would examine trade disruptions caused by differences in biotechnology approval processes, building on the USTR-EU consultations on this issue that began in 2006, and focusing on ways the European Union can comply with the findings of the WTO ruling. It is important to note that the United States has retained its rights to seek compensation for trade damage caused by the European Union's non-compliant policies.
- Urge the European Union to continue the process of liberalizing its sugar regime to enable the complete elimination of restrictive production quotas on isoglucose in the EU market.
- Use the high-level group to initiate a global discussion on the trade distorting effects of FTAs that do not comply with WTO norms by covering substantially all trade. If possible, urge the European Union to revisit existing FTAs that exclude large parts of their agricultural production through the continued use of tariffs and quota protections.

Thank you for your consideration of these comments. Our industry strongly supports the efforts of the U.S.-EU High Level Working Group on Jobs and Growth, provided that the tariff and non-tariff barriers that now restrict access for refined corn and other agricultural products to the European market remain a central part of the dialogue for eventual elimination.

Sincerely,

A Erickson

Audrae Erickson
President