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In late February, the Trade Secretariat (SECOFI) initiated an investigation to determine whether US manufacturers of high-fructose corn syrup have been selling their product in Mexico at less-than-fair-market prices. The SECOFI decision to proceed with the investigation is based on data compiled during the second half of 1996. That information suggests that US manufacturers of high-fructose corn syrup have been selling their product at discounts of as much as 15% relative to prices in the US market. According to SECOFI, the cheap imports of high-fructose corn syrup commonly known in the food industry as HFCS are threatening to cause damage to the Mexican sugar industry.

The SECOFI ruling is directed at 17 companies, including agricultural and food industry giants Cargill Inc., Archer Daniels Midland, CPC International, and Cadbury Schwepps. The 17 companies have until the end of March to present arguments to refute or counter the data compiled by the Mexican government. SECOFI's investigation was initiated at the request of Mexico's sugar and alcohol industry chamber (Camara Nacional de la Industria Azucarera y Alcoholera, CNIAA). Sugar industry concerned about possible market loss In filing the complaint, the CNIAA expressed concern that many food producers in Mexico especially soft-drink manufacturers could easily substitute the lower-priced HFCS for sugar in their products.

Furthermore, the soft-drink industry which currently uses about 1.5 million metric tons of sugar per year has the capability of incorporating the use of high-fructose corn syrup into its product without significantly altering its production process. According to the Mexico City daily business newspaper El Economista, the CNIAA's concerns are justified because of precedents in the US soft-drink industry. Over the past 20 years, US soft-drink producers have almost totally abandoned the use of sugar for HFCS, which was first developed in the 1970s.

In Mexico, HFCS accounted for 20% of the sweeteners used by the Mexican soft-drink industry last year. Manufacturers of pastries, fruit juice, ice cream, and jellies have also increased the use of HFCS to enhance the sweetness of their final product. If SECOFI imposes new duties on imports of HFCS, they would be in addition to the 12.5% import taxes already applied to the product. Under a timetable established in the North American Free Trade Agreement (NAFTA), the duty for imports of HFCS were supposed to drop to 10% this year. However, the Mexican government late last year raised taxes on nine US products, including HFCS, in retaliation for a US decision to increase import taxes on Mexican brooms (see SourceMex, 12/18/97).

According to the CNIAA, a steady increase in imports of HFCS in recent years has also tended to depress sugar prices. Mexico imported 300,000 MT of HFCS in 1996, but that total is expected to grow to 1 million MT by the year 2000. The CNIAA contends the decline in prices prevented sugar producers from paying debts totaling about 12 billion pesos (US$1.49 billion). Government also investigates imports of US gas additives In addition to the investigation regarding HFCS

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imports, SECOFI is also continuing to examine imports of kerosene-based gasoline additives. In mid-February, SECOFI ruled that there is sufficient evidence to continue investigating a complaint that US-based First Brands Corp. is selling its product in Mexico at less- than-fair-market value. SECOFI's ruling is based on a complaint filed by Bardahl de Mexico in November 1995.

To reach a final decision, the agency will use data compiled for all of 1995. However, in deciding to keep the case open, SECOFI also suspended any preliminary duties against First Brands Corp., which sells STP Gas Treatment in Mexico. According to SECOFI, the evidence presented thus far is not sufficient to determine whether lower prices offered by First Brands Corp. were responsible for a decline in production of gas additives in Mexico or whether the trend was caused by a decline in domestic demand. Bardahl has also accused First Brands of restricting free trade by signing contracts as an exclusive supplier for several Mexican service stations. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on March 5, reported at 8.03 pesos per US$1.00] (Sources: El Economista, 02/14/97, 02/27/97, 02/28/97; Reuter, 02/13/97; 02/26/97, 02/27/97; El Universal, 02/27/97)

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