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Mexico Formalizes Duties on Imports of U.S. High-Fructose Corn Syrup

by LADB Staff

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In late January, the Secretaria de Comercio y Fomento Industrial (SECOFI) announced final countervailing duties on two grades of high-fructose corn syrup imported from the US. The decision formalizes the temporary duties imposed against the US corn syrup in June 1997 (see SourceMex, 07/02/97). SECOFI was originally scheduled to hand down the ruling on Dec. 26, but the announcement was delayed by almost a month. The delay led US exporters to ask the Mexican government to suspend the temporary duties until the final decision was announced. The request was made in accordance with the rules of the World Trade Organization (WTO), which discourages governments from extending the decision-making process beyond an announced deadline.

Trade Secretary Herminio Blanco said the final decision, contained in an 75,000-page document, was delayed because of the complexity of the case, which involved similar but not identical products. Blanco said SECOFI's decision acknowledges the US argument that sugar and corn syrup are two separate products. But he said the decision also takes into account that the two products are used for similar purposes, and the imports of US corn syrup are threatening the Mexican sugar industry.

The Mexican government's decision to investigate US corn syrup imports was based on complaints from the Camara Nacional de la Industria Azucarera y Alcohólica (CNIAA) in February 1997 (see SourceMex, 03/05/97). The CNIAA, along with organizations representing sugar cane growers and millers, said the temporary duties imposed since June have not prevented growth in imports of US corn syrup, which approached 600,000 metric tons in 1997. At the current pace, the organizations said, imports could reach 1 million MT in 1998, which would drive 20 sugar mills out of business this year.

US exporters, government protest decision

As expected, US manufacturers and the US government immediately criticized SECOFI's action to make the duties permanent. The final duties, which range from US\$63.75 to US\$175.50 per metric ton, will affect eight US exporters, including agribusiness giants Archer Daniels Midland (ADM), Cargill, and A.E. Staley. "Mexico has bowed to the political pressures of the inefficient Mexican sugar industry and tarnished its reputation as advocates for free trade," said Chuck Conner, president of the US Corn Refiners Association. The US government is also considering action against Mexico, possibly requesting the creation of a dispute-resolution panel under the North American Free Trade Agreement (NAFTA) or the WTO.

The US corn refiners association appealed the preliminary tariffs with the World Trade Organization last year. "The highest levels of this government have informed Mexico of our serious concerns," said Peter Scher, the US special trade ambassador for agriculture. Scher also questioned SECOFI's role in drafting an agreement between bottlers and the sugar industry in September of

last year. Under the agreement, Mexican bottlers agreed to limit their use of corn syrup in exchange for a guarantee from the Mexican sugar industry of lower sugar prices (see SourceMex, 09/17/97).

"This pact also raises a host of legal questions," said Scher. CNIAA spokesman Francisco Sanchez de Cima said the permanent tariff brings the cost of imported US corn syrup closer to the domestic prices of sugar in Mexico, but does not fully make up for the disparity. "Imported US fructose continues to be cheaper than Mexican sugar," said Sanchez de Cima. SECOFI is also considering a separate CNIAA complaint against US corn syrup imports. The CNIAA has accused US exporters of using a loophole of mislabeling certain grades of fructose in order to avoid paying higher duties. (Sources: El Nacional, 01/07/98; Reuter, 01/22/98, 01/23/98; Bloomberg News, El Universal, 01/23/98; The Miami Herald, 01/24/98; El Economista, 01/23/98, 01/26/98; El Financiero Internacional, 01/26/98; Notimex, 01/22/98, 02/02/98)

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