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Trade Panels Might Consider U.S.-Mexico Disputes on Corn Syrup, Phone Service

by LADB Staff

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US and Mexican industry groups have asked their governments to request special panels under the North American Free Trade Agreement (NAFTA) or the World Trade Organization (WTO) to consider disputes regarding restrictions on fructose and long-distance telephone service.

US corn refiners request NAFTA panel on fructose dispute

In late February, the US Corn Refiners Association formally requested that the NAFTA secretariat create a special dispute-resolution panel to consider Mexico's imposition of duties on high-fructose corn syrup. The NAFTA secretariat has two months to form a dispute-settlement panel once it receives a request. Mexico's Secretaria de Comercio y Fomento Industrial (SECOFI) announced formal duties on US corn syrup in late January (see SourceMex, 02/04/98). The formal duties replaced preliminary duties imposed in early 1997 at the request of the Camara Nacional de la Industria Azucarera y Alcoholera (CNIAA), which claimed corn syrup imports were being sold in Mexico at below-market prices (see SourceMex, 07/02/97).

In requesting the dispute-resolution panel, the US Corn Refiners Association reiterated its argument that the duties are unwarranted because sugar and corn syrup are two separate products. Parallel to the US corn refiners' request, the US government may request a WTO dispute-resolution panel. The US filed a grievance with the WTO when Mexico imposed the preliminary duties but must file a new complaint for SECOFI's recent ruling to formalize the duties. The US request for the NAFTA panel on Mexico's fructose decisions was filed only days after another NAFTA panel unanimously ruled against US restrictions on imports of Mexican straw brooms.

The five-member panel said US restrictions, imposed in November 1996, were a clear violation of NAFTA. The US had justified the restrictions, which included a quota and higher tariffs, as necessary to protect its corn-broom industry (see SourceMex, 12/18/96).

US, Mexican telephone companies consider WTO complaints

The growing controversy over Mexican telephone- interconnection fees and a US restriction on Mexican access to the US telephone market may also end up before the WTO. US companies AT&T and MCI Communications have complained that the 58% surcharge imposed by Mexican telephone giant TELMEX on incoming international calls is a violation of a recently enacted WTO protocol.

The protocol, which went into effect in early February of this year, committed WTO members to allow free competition in their telecommunications markets. MCI & AT&T asked the US Trade Representative's office (USTR) to present their complaint against TELMEX before the WTO. "TELMEX's charges are not in line with the costs to provide the interconnection service," said Manuel Sanchez, director of MCI's Mexican subsidiary Avantel. "These fees are also not in line with

other tariffs in other international markets." A USTR spokesperson said US Trade Representative Charlene Barshefsky will decide by March 31 whether to act on the MCI and AT&T complaints. Spokespersons for the Secretaria de Comunicaciones y Transportes (SCT) and the Comision Federal de Telecomunicaciones (COFETEL) said they are preparing to defend the Mexican government's policies in case the US brings the matter before the WTO.

As a protest against the high fees, MCI has suspended all new investment in Avantel, its joint venture with Grupo Financiero Banamex-Accival (Banacci), until the matter is resolved. MCI had planned to invest about US\$900 million in the Avantel operation this year. AT&T has also protested the TELMEX fee but has not yet suspended investments in its Mexican subsidiary Alestra, a joint venture with Grupo Alfa, Grupo Visa, and Bancomer. The two US companies have already received the support of US Federal Communications Commission (FCC) chairman William Kennard, who urged a "rapid phasing out" of TELMEX's 58% surcharge.

Kennard's statements are significant since the FCC will play an important role in deciding how soon TELMEX receives permission to offer long-distance service in the US market. TELMEX and its US partner Sprint expected to begin providing long-distance connections to US customers at the beginning of 1998, but that was blocked by MCI and AT&T. TELMEX is also considering filing a complaint before the WTO to protest the US delay in opening access to the US market. "US companies are operating in our market, but we are not yet allowed to offer our services in the US market," said TELMEX director Carlos Slim Helu. (Sources: El Nacional, El Universal, 02/13/98; Reuter, Novedades, 02/19/98; El Financiero International, 02/23/98; Notimex, 02/24/98; El Economista, 02/11-13/98, 02/19/98, 02/20/98, 02/24-27/98; Excelsior, 02/19/98, 02/24/98, 02/26/98, 02/27/98; The News, 02/19/98, 02/25/98, 02/27/98)

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