



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

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Grassley Urges President Bush to Raise Corn Syrup Dispute with Mexican President

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today urged President Bush to address Mexico’s tax on soft drinks containing high fructose corn syrup during the leaders’ upcoming meeting. The Mexican tax hurts U.S. corn farmers and high fructose corn syrup producers and is the subject of a U.S. case at the World Trade Organization. The text of Grassley’s letter to President Bush follows.

March 22, 2005

The Honorable George W. Bush
President of the United States of America
The White House
Washington, D.C. 20500

Dear Mr. President:

I am writing with regard to your upcoming meeting with President Vicente Fox of Mexico.

During your meeting, I request that you discuss with President Fox the issue of Mexico’s 20 percent tax on soft drinks containing high fructose corn syrup (HFCS). Mexico’s HFCS tax operates as a *de facto* import ban. Accordingly, while Mexico was formerly the largest export market for U.S.-produced HFCS, sales of this product to the Mexican market have fallen to almost zero since the imposition of this tax in January 2002. The HFCS tax is harming corn farmers and HFCS producers in Iowa as well as in other states.

Mexico’s HFCS tax clearly contravenes Mexico’s international trade obligations. For this reason, the United States is currently challenging Mexico’s tax in dispute settlement proceedings at the World Trade Organization (WTO). While I fully expect the United States to prevail in this dispute, the WTO dispute settlement process will be completed in several months at best. Moreover, even if Mexico is found to be in violation of its WTO commitments, it will still be incumbent upon Mexico to come into compliance with the WTO’s findings, presumably by repealing its HFCS tax, a process that could take additional months. In the meantime, U.S. producers of HFCS will remain locked out of this major market.

I note as well that some five separate WTO and North American Free Trade Agreement panel rulings have determined that Mexico's prior antidumping order on imports of U.S.-produced HFCS violated Mexico's international trade commitments. While Mexico eventually lifted its antidumping duties on U.S. HFCS, it simply replaced them with the HFCS tax, a situation which raises questions concerning Mexico's willingness to come into compliance with its international trade obligations.

I hope that you will convey to President Fox that now is the time for Mexico to repeal its HFCS tax, and not have it replaced by yet another barrier to imports of U.S.-produced HFCS. While President Fox supports lifting the HFCS tax, increased efforts of his administration to work with the Mexican Congress to repeal the tax would likely be instrumental in removing this point of contention between the United States and Mexico.

I appreciate your attention to this important matter.

Sincerely,

Charles E. Grassley