



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

For Immediate Release

Monday, Jan. 26, 2004

Grassley Seeks WTO Case Over Mexico's Treatment of Corn Syrup

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today asked the Bush administration to initiate a case at the World Trade Organization (WTO) over Mexico's tax on soft drinks containing high fructose corn syrup.

“The tax violates Mexico's international trade commitments and harms Iowa corn farmers, Iowa high fructose corn syrup producers, and other producers throughout the United States,” Grassley said. “We need to do everything possible to bring Mexico into compliance with its trade commitments, including bringing a WTO case. I hope the administration will take action soon. We need to send a strong signal to Mexico.”

Grassley has worked for more than a year to persuade Mexico to drop its unfair tax. Last November, as his most recent major action, he introduced legislation to impose trade duties on Mexican products such as tequila in retaliation for that country's barrier to imports of U.S. high fructose corn syrup. Grassley called the bill a measure of last resort and urged Mexico to reverse its trade-prohibitive policy before the United States has no alternative but to impose the new duties. Grassley said he will continue to pursue his legislation while pursuing the WTO case because the issue is so important to U.S. producers.

The text of Grassley's letter requesting a WTO case follows.

January 26, 2004

The Honorable Robert B. Zoellick
U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ambassador Zoellick:

I am writing to urge you to initiate dispute settlement proceedings at the World Trade Organization (WTO) with regard to Mexico's tax on soft drinks containing high fructose corn syrup

(HFCS).

Mexico was formerly the largest export market for U.S. produced HFCS. As you know, however, Mexico imposed a 20 percent tax on soft drinks containing HFCS on January 1, 2002. This tax was clearly designed to block exports to Mexico of U.S. produced HFCS and U.S. corn designated for processing at Mexican HFCS plants. Because of the tax, U.S. exports of HFCS to that country have fallen to almost zero. Mexico's HFCS tax is a blatant violation of that country's obligations as a member of the WTO.

Despite frequent requests from you, other administration officials, and numerous members of the Congress, including me, for Mexico to come into compliance with its WTO commitments with regard to HFCS, the Mexican Congress just last month voted to continue the WTO-illegal tax through 2004. So for the third year in a row, Mexico is refusing to abide by its WTO obligations. At the same time, U.S. corn growers and U.S. HFCS producers continue to suffer on account of Mexico's WTO non-compliance.

Mexico's de facto ban on imports of U.S. produced HFCS, and U.S. corn for HFCS production in Mexico, is having a significant negative impact on Iowa's agricultural sector. For this reason, I introduced two months ago S. 1952, the Mexican Agricultural Trade Compliance Act, which would impose retaliatory tariffs on Mexican tequila and other Mexican agricultural products if Mexico does not lift its HFCS tax. Beyond this legislation, I support the initiation of WTO dispute settlement proceedings as an additional step to bring Mexico into compliance with its WTO obligations. After all, given the effects of Mexico's illegal tax on corn growers and HFCS producers in Iowa and other states, I believe that all available means should be used to bring Mexico to reverse its HFCS policy.

Through better enforcement at the WTO of U.S. rights, including our rights regarding Mexico's HFCS tax, I am convinced that support by U.S. agricultural producers for future trade agreements will be bolstered.

Sincerely,

Charles E. Grassley