U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release
Monday, Sept. 20, 2004

Grassley Warns Dominican Republic on Proposed Tax on High Fructose Corn Syrup

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today sent the following letter to President Leonel Fernández of the Dominican Republic expressing grave concerns regarding proposed legislation in the Dominican Republic that would impose a 25 percent tax on beverages containing high fructose corn syrup. Grassley warned that passage of this tax measure would seriously threaten approval of implementing legislation in the U.S. Senate for a free trade agreement between the United States and the Dominican Republic. Grassley sent a similar letter today to Senator Andrés Bautista García, President of the Senate of the Dominican Republic.

Senator Grassley's letter to President Fernández follows.

September 20, 2004

His Excellency Leonel Fernández Reyna
Avenue DR Delgado
Santo Domingo, Dominican Republic

Dear President Fernández:

I am writing to express my strongest concerns regarding a proposal contained in tax reform legislation in the Dominican Republic that would impose a 25 percent tax on soft drinks and other beverages containing high fructose corn syrup (HFCS).

By discriminating against imported sweeteners, including U.S.-produced HFCS, such a tax would violate the Dominican Republic's obligations as a member of the World Trade Organization (WTO). Further, it would contravene commitments made by the Dominican Republic under the United States-Dominican Republic-Central America Free Trade Agreement (US-DR-CAFTA), which was signed just last month. Passage of this tax into law would raise serious questions regarding the commitment of the Dominican Republic to its international trade obligations.

Such a tax would also unfairly penalize corn farmers and HFCS producers in the United States, including farmers and producers in my state of Iowa. Unfortunately, the U.S. agricultural sector is already being harmed by a discriminatory HFCS tax imposed by another U.S. trading partner, Mexico, and the United States is currently challenging Mexico's tax through the dispute settlement process of the WTO.

As Chairman of the Senate Finance Committee, which has jurisdiction over international trade legislation in the U.S. Senate, I have consistently supported the US-DR-CAFTA. I am convinced that this free trade agreement (FTA) would benefit the United States and its trading partners, including the Dominican Republic. I have looked forward to advancing the implementing legislation for this agreement through the U.S. Senate. I can assure you, however, that enactment of the proposed HFCS tax into law would seriously jeopardize support in the U.S. Senate for an FTA between the United States and the Dominican Republic. I, for one, would be forced to reevaluate my stance regarding an FTA with your country.

In order to promote further the economic growth of both our countries, I strongly encourage you to work to see that the proposed tax on HFCS does not become law.

Sincerely,

Charles E. Grassley