

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON, D.C. 20508

July 27, 2006

Lic. Angel Villalobos Rodriguez  
Undersecretary for International Trade Negotiations  
Secretariat of Economy  
Alfonso Reyes 30  
Col. Hipodromo de Condesa  
06179 México D.F.

Dear Undersecretary Villalobos:

I am pleased to acknowledge your letter of today's date, which reads as follows:

"I have the honor to confirm the following understandings reached between our Governments regarding trade in sweetener goods, which are intended to promote an orderly transition to the elimination of tariffs on sugar and syrup goods and HFCS goods:

1. Sugar or Syrup Goods of Mexico.

- (a) The United States shall accord duty-free treatment to an additional quantity of not less than 21,774 metric tons (raw value) of refined sugar of Mexico during the marketing year beginning in 2005.
- (b) The United States shall accord duty-free treatment to:
  - (i) 250,000 metric tons (raw value) of sugar or syrup goods of Mexico during the marketing year beginning in 2006; and
  - (ii) subject to subparagraph (c), 250,000 metric tons (raw value) of sugar or syrup goods of Mexico during the first three months of the marketing year beginning in 2007.
- (c) Mexico and the United States shall consult by July 1, 2007 to determine jointly, based on market conditions, whether the quantity under subparagraph (b)(ii) shall remain 250,000 metric tons (raw value) or shall be reduced to not less than 175,000 metric tons (raw value). If Mexico and the United States do not agree on the quantity by July 1, 2007, the quantity under subparagraph (b)(ii) shall be reduced to 175,000 metric tons (raw value).

- (d) The United States shall apply the NAFTA over-quota tariff rate in the relevant marketing year on amounts in excess of the duty-free quantities referred to in subparagraph (b). The United States confirms that the over-quota tariff rate will be eliminated effective January 1, 2008 as provided for in the NAFTA.

2. HFCS Goods of the United States.

- (a) Mexico shall accord duty-free treatment to:

- (i) 250,000 metric tons (dry solids basis) of HFCS goods of the United States during the marketing year beginning in 2006; and
- (ii) subject to subparagraph (b), 250,000 metric tons (dry solids basis) of HFCS goods of the United States during the first three months of the marketing year beginning in 2007.

- (b) Mexico and the United States shall consult by July 1, 2007 to determine jointly, based on market conditions, whether the quantity under subparagraph (a)(ii) shall remain 250,000 metric tons (dry solids basis) or shall be reduced to not less than 175,000 metric tons (dry solids basis). If Mexico and the United States do not agree on the quantity by July 1, 2007, the quantity under subparagraph (a)(ii) shall be reduced to 175,000 metric tons (dry solids basis).

- (c) Mexico shall eliminate any duties on amounts in excess of the duty-free quantities referred to in subparagraph (a), including those established in *Decreto por el que se modifican diversos aranceles de la Tarifa de la Ley del Impuesto General de Importación* published in *Diario Oficial de la Federación* on October 11, 2001 and any other relevant measures, effective January 1, 2008.

3. Sugar and Syrup Goods of the United States. In accordance with NAFTA Annex 703.2, paragraph 14, Mexico shall accord duty-free treatment to a quantity of sugar or syrup goods of the United States of not less than 7,258 metric tons (raw value) in each of the marketing years beginning in 2005 and 2006, and in the first three months of the marketing year beginning in 2007. Mexico confirms that any over-quota tariff rate will be eliminated effective January 1, 2008 as provided for in the NAFTA.

4. Import Licensing on HFCS Goods of the United States. Mexico shall apply the import licensing procedures set out in the *ACUERDO que modifica el diverso que establece los criterios para otorgar permisos previos por parte de la Secretaría de Economía, a las importaciones definitivas de fructosa originarias de los Estados Unidos de América* published in *Diario Oficial de la Federación* on November 11, 2005, and the *ACUERDO que modifica el diverso que establece los criterios para otorgar permisos previos por parte de la Secretaría de Economía, a las importaciones definitivas de fructosa originarias de los Estados Unidos de América* published in *Diario Oficial de la Federación* on September 30, 2005, or any

successor measures that provide substantially the same licensing procedures, to imports of HFCS goods of the United States under the duty-free tariff-rate quotas described in paragraph 2. Mexico shall not apply import licensing procedures on imports of HFCS goods of the United States effective January 1, 2008.

5. Import Licensing on Sugar or Syrup Goods of the United States. Mexico shall establish and apply bilaterally agreed import licensing procedures for imports of sugar or syrup goods of the United States under the duty-free tariff-rate quotas described in paragraph 3. Mexico shall not apply import licensing procedures on imports of sugar or syrup goods of the United States effective January 1, 2008.
6. Beverage tax. Mexico and the United States confirm that on July 3, 2006 they submitted a joint letter to the WTO Dispute Settlement Body (WT/DS308/15) expressing their agreement that Mexico shall eliminate its tax measures on soft drinks and other beverages no later than January 1, 2007, except that if the Mexican Congress approves the necessary legislation to eliminate these measures during the month of December 2006, Mexico shall eliminate its tax measures on soft drinks and other beverages no later than January 31, 2007.
7. Standstill. Except as provided in this agreement or permitted under other agreements to which both countries are party, Mexico shall not limit, directly or indirectly, imports of HFCS goods of the United States into Mexico, and the United States shall not limit, directly or indirectly, imports of sugar or syrup goods of Mexico into the United States, including through the application or imposition of any tax or other internal measure that has the effect, directly or indirectly, of discriminating against HFCS goods of the United States or sugar or syrup goods of Mexico, as the case may be.
8. Consultations and dispute settlement. Mexico and the United States recognize that there are ongoing disputes concerning trade in sweeteners, which have not been resolved, and that this agreement contributes to finding a resolution to those disputes. Mexico and the United States further recognize that this agreement will facilitate an orderly transition to full tariff elimination on sugar and syrup goods and HFCS goods on January 1, 2008. Mexico and the United States shall continue to consult on trade in sweeteners with a view toward facilitating that transition, further liberalizing trade in such goods, and making further progress on the issues underlying those disputes.
9. Task force. Mexico and the United States shall establish a joint industry/government task force to assist the governments to prepare for tariff elimination on sugar or syrup goods and HFCS goods in January 2008 and to periodically review shipments of sugar or syrup goods and HFCS goods with a view toward ensuring prompt and full utilization of the tariff-rate quotas described in paragraphs 1 through 3.
10. Definitions. For purposes of this agreement:

**duty-free** shall have the meaning given to that term in Article 708 of the NAFTA;

**high fructose corn syrup good** or **HFCS good** means a good provided for in any of the current tariff items 1702.40.99, 1702.60.01, 1702.60.02, and 1702.60.99 of Mexico's General Import and Export Duties Act ("*Ley de los Impuestos Generales de Importación y Exportación*") that is an originating good;

**marketing year** means a 12-month period beginning October 1;

**NAFTA** means the North American Free Trade Agreement;

**originating** shall have the meaning given that term by Article 201 of the NAFTA;

**raw value** shall have the meaning given to that term in paragraph 26 of Section A of Annex 703.2 of the NAFTA;

**refined sugar** means sugar whose content of sucrose by weight, in the dry state, corresponds to a polarimeter reading of 99.5 degrees or greater; and

**sugar or syrup good** shall have the meaning given to that term in Section C of Annex 703.2 of the NAFTA.

I have the honor to propose that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments."

I have the honor to confirm that the understandings referred to in your letter are shared by my Government, and that your letter and this reply shall constitute an agreement between our two Governments.

Sincerely,



Ambassador Richard T. Crowder  
Chief Agricultural Negotiator