

# US, Mexico strike sugar deal despite resistance

## New agreement prevents dumping

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**WASHINGTON:** The United States and Mexico reached an agreement on Tuesday to resolve a long-standing dispute and allow duty-free sugar imports to resume from south of the border, albeit with new conditions.

US Commerce Secretary Wilbur Ross said the new deal would address the flaws in the current system and protect American sugar refiners, confectioners and soft drink makers from harm caused by imports of subsidised Mexican sugar.

"The new agreement prevents dumping of Mexican sugar and corrects for subsidies the Mexican sugar industry received," he said at a joint press conference with Mexico Economy Minister Idefonso Guajardo Villarreal.

However, Ross said the US sugar industry did not support the new deal.

US sugar producers have protested the amount of cheap sugar pouring across

the border, accusing Mexico of subsidising its sugar industry, then dumping the excess product.

Washington had threatened to slap tariffs of up to 80% on Mexican sugar unless a deal was reached.

Guajardo said the new deal, which increases the set price for raw and refined sugar, and increases the share of raw sugar exports, "protects Mexican companies and workers" and "maintains Mexico's position as the main supplier" to the US market.

The dispute comes as the two neighbours, along with Canada, are set to renegotiate the North American Free Trade Agreement (Nafta), and the officials indicated the negotiations on sugar over the past several weeks should help with those talks.

"We needed to get out of the way this very contentious issue that has been polluting the relationship between the two countries for quite some time," Ross told reporters.

"I think it's important to get a very hard issue like that out of the way before the big negotiations start."

And both Ross and Guajardo said work on the sugar deal has strengthened their working relationship and showed

they could reach a mutually-beneficial agreement.

"It has given us the opportunity to know each other better, to really get to trust and to develop a strong relationship, that definitely will be one of best assets for coming negotiations on Nafta," Guajardo said.

The deal will increase the import price to 23 cents a pound of raw sugar from 22.25 cents, and for refined sugar to 28 cents a pound from 26 cents.

In addition, the share of refined sugar imported will be reduced to 30% from 53%, increasing the amount of raw sugar imports to 70%.

In addition, Mexico was granted "right of first refusal" to supply any excess US demand, as determined each year by the US Department of Agriculture.

The USDA monitors the market and US production and allocates additional quota of imports as needed. It did so this year — calling for an additional 40,000 tonnes — and in 2016, but prior to that there were three years when no additional imports were allowed.

However, the American Sugar Alliance objects to this "major loophole" in the deal, which it says give too much power to Mexico.

"Mexico could exploit this loophole to continue to dump subsidized sugar into the US market and short US refineries of raw sugar inputs," the group's spokesman Phillip Hayes said in a statement.

"It also allows the Mexican government the ability to determine the purity of the sugar it exports under these conditions," he said.

Ross hopes the sugar industry will support the deal once it is finalised in the coming days.

In contrast, the Corn Refiners Association, which represents makers of corn syrup, supports the agreement which it said "maintained vulnerable export markets."

Last year, Mexico exported 1.1 million tonnes of sugar to the United States, some 40% of which was refined.

Mexican sugar has entered the US market tariff-free since 2008. In exchange, the Mexican market was opened to US corn-based fructose, used mainly to sweeten soft drinks.

After protests from US sugar companies and farmers, both governments agreed to Mexican sugar export quotas in 2014. But complaints from US sugar refiners continued, and Washington and Mexico City reopened talks last year. AFP



**US Secretary of Commerce Wilbur Ross, right, shakes hands with Mexican Minister of Economy Ildefonso Guajardo Villarreal following a press conference in Washington on Tuesday. AFP**