U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Grassley Urges Mexico to Drop Trade Barriers to U.S. Agricultural Products

WASHINGTON – In a strongly worded, example-laden speech on the Senate floor last night, Sen. Chuck Grassley, chairman of the Committee on Finance, urged the Mexican government to stop imposing barriers on U.S. agricultural products – many from Iowa – and thereby undermining its commitments under the North American Free Trade Agreement. Grassley also urged the Bush administration to make the removal of Mexican barriers to U.S. agricultural products a top priority.

The text of Grassley's speech follows.

MEXICAN BARRIERS TO IMPORTS OF U.S. AGRICULTURAL PRODUCTS

Mr. GRASSLEY. Mr. President, it has been almost 10 years since the North American Free Trade Agreement – NAFTA – went into effect. Overall, this agreement has been a great success for America's farmers and ranchers. Between 1994 and 2002, U.S. agricultural exports to Mexico grew by 95 percent. Mexican agriculture has benefited as well from NAFTA. Exports of Mexican agricultural products to the United States increased by almost 97 percent from 1993 to 2001. At the present time, some 78 percent of all agricultural products exported by Mexico are sent to the United States, making the United States by far the largest market for Mexico's agricultural exports. Clearly, the agricultural sectors of both the United States and Mexico have on the whole profited from NAFTA. For this reason, I am confounded by some of the recent actions of the Mexican government that undermine the spirit, if not the letter, of NAFTA.

Allow me to elaborate on some of these actions. Mexico has recently imposed, or threatened to impose, trade barriers to a wide variety of U.S. agricultural products. These products include pork, beef, corn, high fructose corn syrup, rice, apples, and dry beans. Apparently ignoring that increased competition in the Mexican market has benefited that country's consumers, some in Mexico have spoken of renegotiating the agriculture provisions of the NAFTA. Mexico's measures against U.S. agricultural products have certainly caught the attention of many members of the Senate, including me.

Let me explain Mexico's actions that are directly impacting producers in my state of Iowa.

I'll start with high fructose corn syrup. It's true that U.S. producers of agricultural products have, on the whole, benefited from NAFTA. And, at one point, that was the case with U.S. producers of high fructose corn syrup. Mexico was formerly the largest export market for U.S. produced high fructose corn syrup. But in January 2002, the Mexican Congress imposed a tax of up to 20 percent on soft drinks containing high fructose corn syrup. This move was undoubtedly intended to provide Mexican sugar producers with an unfair advantage in the Mexican market over U.S. high fructose corn syrup producers. As a result of this discriminatory tax, U.S. exports of high fructose corn syrup to Mexico are now at almost zero levels. Mexico's high fructose corn syrup tax was imposed following WTO and NAFTA panel rulings that found that a 1998 Mexican antidumping order on U.S. high fructose corn syrup did not comply with Mexico's trade obligations. Clearly, Mexico is going out of its way to prevent the sale of high fructose corn syrup in its market. Mexico's high fructose corn syrup tax is causing great harm to U.S. corn producers and U.S. high fructose corn syrup manufacturers. The U.S. corn refining industry estimates that it is losing up to $620 million annually on account of Mexico's discriminatory tax. It estimates that U.S. corn farmers are losing over $300 million each year due to lost sales to both U.S. and Mexican high fructose corn syrup producers. I find it especially ironic that Mexico, a country that is actively seeking foreign investment, is treating so poorly the U.S. high fructose corn syrup industry, an industry that has invested heavily in Mexico. Based upon the promises of NAFTA, U.S. high fructose corn syrup producers made major investments in the United States and Mexico. Mexico has now pulled the rug out from under them. This certainly sends, at best, mixed signals to foreign investors.

Let me give you another example of Mexico's actions against U.S. agricultural products, this one impacting Iowa's pork producers. In January of this year, Mexico initiated an antidumping investigation on U.S.-produced pork. The petition that initiated this investigation has serious deficiencies. For example, the petition was filed by Mexican hog producers, not pork processors, so it is my understanding that the party bringing the case lacks standing under the Antidumping Agreement of the WTO. While Mexico's antidumping investigation on pork is ongoing, I recognize that Mexican officials last month terminated the Mexican antidumping order on imports of live hogs from the United States. I am pleased with Mexico's decision regarding the live hog order. I strongly hope that this decision provides an indication that Mexican officials will act reasonably and not impose an antidumping order on U.S. pork.

But there are other problems. Large quantities of U.S.-produced pork have been rejected at the Mexican borer during the past year due to alleged sanitary problems. But millions of Americans consume U.S.-produced pork each day, and we know that this product is safe. Mexico's rejection of U.S. pork for non-scientific reasons violates Mexico's WTO obligations.

Iowa's beef producers are also being harmed by Mexico's actions. In April 2000, Mexico imposed antidumping duties on imports of U.S. beef, and this trade measure remains in place. Mexico's investigation resulted in numerous probable violations of Mexico's commitments under the WTO Agreements. On June 16, the U.S. Trade Representative announced that the United States is filing a case at the WTO over Mexico's antidumping order. I fully support the U.S. trade Representative's actions at the WTO regarding this matter. Despite the ongoing Mexican antidumping order on U.S. beef, Mexican cattle producers earlier this year filed a safeguard petition on beef from the United States. Mexican officials have neither confirmed nor denied the existence of this petition. Lack of certainty with regard to this safeguard petition has made it even more difficult for the U.S. cattle and beef industry to plan sales in Mexico.

White corn producers in Iowa are also threatened by potential Mexican trade actions. Mexican officials are hinting at initiating a safeguard investigation on imports of U.S. white corn. In addition, these officials have suggested limiting import permits for white corn for periods of short supply. Such a policy would not comport with Mexico's NAFTA obligations. Mexico's actions, and threatened actions, against U.S. agricultural products such as high fructose corn syrup, pork, beef, and white corn are having real effects on U.S. producers. Sales in Mexico are being lost or threatened. Uncertainty is making it difficult for U.S. producers to plan for future sales in Mexico. But Mexico's actions are having a broader effect than lost sales. Mexico's policies are indirectly threatening the entire U.S. trade agenda. Most of U.S. agriculture was solidly behind the passage of the NAFTA. But with Mexico failing to abide fully with its NAFTA commitments, many U.S. producers are beginning to question the worth of trade agreements.

If America's farmers and ranchers back away from their strong support for new trade agreements, the U.S. trade agenda will lose its biggest proponents. And if the United States falters in its support for trade liberalization, the whole world will suffer. Given the importance of maintaining the U.S. trade agenda, I urge the administration to make the removal of Mexican barriers to U.S. agricultural products a top priority. The U.S. government must not overlook systematic efforts by Mexico to keep U.S. farm products out of the Mexican market in disregard of Mexico's international trade commitments. Finally, I urge Mexican officials to think twice about the effects of their decisions involving U.S. agricultural products. Mexico's actions are threatening that country's trade relations with its largest export market. Damaged trade relations between the United States and Mexico are certainly not in the best interests of either country. NAFTA can, and will, continue to provide great benefits to farmers, ranchers, and consumers on either side of the border. But this trade agreement will work only if all parties to it abide by their NAFTA commitments.