



U.S. SENATE COMMITTEE ON

Finance

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**Opening Statement
of Sen. Charles E. Grassley
Hearing, "Unfulfilled Promises: Mexico's Barriers to U.S. Agricultural Exports"
September 23, 2003**

Good morning. Before we begin, I would like to take a moment to comment on the WTO ministerial which was held recently in Cancun, Mexico. First, I want to thank the Mexican government and the citizens of Cancun for the exceptional manner in which the ministerial was conducted. Hosting a ministerial of this magnitude is no easy task, but the citizens and government of Mexico rose to the occasion. It was a job exceptionally well-done.

I want to make it clear that I consider myself a friend of Mexico and the NAFTA. I think good relations between our nations benefit people on both sides of the border. This is certainly true for U.S. agriculture. Between 1994 and 2002, exports of U.S. agricultural products to Mexico increased by over 90 percent. Mexican agriculture has also experienced significant export gains into the United States in recent years. U.S. imports of Mexican agricultural products grew by almost 97 percent between 1993 and 2001. The United States is by far the largest destination for exports of Mexican farm products, currently taking some 78 percent of all of Mexico's agricultural exports.

Precisely because of the benefits it would bring to both the United States and Mexico, I was a strong supporter of the NAFTA when it was debated in Congress. I continue to believe that NAFTA is a good agreement, and I've consistently worked to see that the United States abides by its NAFTA obligations. After all, a deal's a deal. Trade liberalization only works if all parties to an agreement fulfill their commitments to it. Unfortunately, Mexico has increasingly refused to abide by its international trade obligations for agricultural products under both the NAFTA and the WTO. Mexico's actions, and threatened actions, are causing real harm for corn, hog, and cattle producers in my state of Iowa. U.S. producers of rice, apples, and dry beans are also suffering from Mexico's barriers. Mexico's actions are hurting a remarkably broad swath of America's agricultural sector.

Mexico is harming U.S. producers not only by impeding imports of bulk agricultural products, but also by taking actions against processed agricultural products. Perhaps most notably, Mexico has repeatedly taken steps – in violation of its international trade obligations – to restrict imports of U.S. high fructose corn syrup. Following the implementation of the NAFTA, Mexico was the largest export market for U.S.-produced high fructose corn syrup. But U.S. sales were hit hard by a Mexican antidumping order imposed against this U.S. product in 1998. The United States challenged this order, and both NAFTA and WTO rulings determined that Mexico's antidumping

order violated Mexico's trade obligations. Subsequently, Mexico revoked its antidumping order on U.S. high fructose corn syrup.

Yet Mexico was determined, one way or another, to block access for U.S. high fructose corn syrup. Almost two years ago, in an effort to protect its sugar industry, Mexico imposed a tax of almost 20 percent on soft drinks containing high fructose corn syrup. This discriminatory tax has in effect shut U.S. high fructose corn syrup out of Mexico, thus causing great harm for the U.S. industry. It's also hurting corn farmers across the United States, including Iowa farmers.

Mexico's barriers against U.S. agricultural products threaten to have profound, and distressing, effects on U.S. trade policy. Most of U.S. agriculture was solidly behind the passage of the NAFTA. But with Mexico failing to abide by many of its NAFTA commitments, some in U.S. agriculture are beginning to question the merit not only of the NAFTA, but also of entering into new trade agreements. If U.S. agriculture ceases to support trade liberalization, the entire U.S. trade agenda will be at risk.

Recognizing the threat being posed to the U.S. trade agenda, and recognizing lost sales being experienced by Iowa producers, I've worked diligently to try to persuade Mexico to remove its barriers to imports of U.S. agricultural products. In the past few months alone, I've written to Mexican officials, I've met with Mexican legislators, and I've given speeches on the floor of the U.S. Senate expressing my concerns. In addition, with Mexico specifically in mind, this summer I introduced a special 301 for agriculture bill. I know that Administration officials have also worked hard to see that Mexico's trade barriers are removed, and I commend them for their work.

Yesterday, I was pleased to learn that, after the announcement of this hearing, the Fox Administration proposed legislation to repeal the illegal 20 percent tax on high fructose corn syrup, and I hope that the Mexican Congress will soon pass such legislation into law. Mexico has also terminated its antidumping order on live hogs. These are good developments. Unfortunately, however, the high fructose corn syrup tax remains in place, and other barriers still restrict imports of other U.S. agricultural products, so there is much more to be done. Whenever possible, I will continue to try to persuade Mexico to remove its barriers to imports of U.S. agricultural products. I'll do this, in part, by advancing my special 301 for agriculture legislation, which is cosponsored by Senator Baucus.

Specifically with regard to high fructose corn syrup, an Iowa product that is completely shut out of the Mexican market in violation of Mexico's NAFTA and WTO commitments, I'm contemplating taking a new course of action. If this blatantly illegal tax is not lifted soon, I will be forced to consider introducing legislation which would authorize punitive retaliatory tariffs on specific imports of Mexican agriculture products.

I do not make this announcement lightly. Throughout my tenure in Congress, I've worked actively to reduce tariffs imposed by the United States as well as those imposed by other countries. But the United States has already won NAFTA and WTO cases involving high fructose corn syrup, and Mexico continues to block imports of this product, currently through the use of a discriminatory

tax. To be blunt, Mexico's compliance with these rulings is long overdue. At some point, compensation must be authorized.

In conclusion, I'd like to note that Mexico's actions are harming not only U.S. producers, but also Mexico itself. Mexico has long prided itself on following international law. Mexico's failure to abide by its NAFTA and WTO commitments is tarnishing its reputation in this area. The NAFTA has resulted in increased foreign investment in Mexico. But given Mexico's treatment of the U.S. high fructose corn syrup industry, an industry that invested heavily in Mexico, I'd now counsel U.S. companies to think twice before investing in Mexico. As illustrated by this July 26th article in *The Economist*, Mexico can ill-afford the economic damage which declining foreign investment can bring. I ask that this article be placed into the record. Finally, by restricting imports of U.S. agricultural products, Mexico is driving up food prices and thus harming its consumers.

Of course, not every government official in Mexico is advocating such reckless economic policies, and I commend those who are working constructively to try to resolve these trade issues. But, unfortunately, many others in Mexico are calling for trade restrictions and other barriers on U.S. agriculture products purely for domestic political reasons.

I want to send a message today. Mexico's pattern of imposing barriers on imports of U.S. agricultural products is short-sighted, ill-advised, and reckless. It jeopardizes the strong economic relations between our two nations, undermines confidence in the Mexican economy, harms Mexican consumers, and can lead to retaliatory measures. I hope government officials in Mexico are listening.

I stand ready and willing to work with the government of Mexico to resolve these problems. While I am pleased to learn that there may be some movement on lifting the clearly illegal tax on high fructose corn syrup, we need to see good faith movement within the Mexican Congress on this issue, and we need to see it soon.