

INTERNATIONAL SUGAR TRADE COALITION, INC.

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May 15, 2017

Hon. Wilbur Ross
Secretary of Commerce
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Hon. Sonny Perdue
Secretary of Agriculture
1400 Independence Avenue, N.W.
Washington, D.C. 20250

Dear Secretary Ross and Secretary Perdue:

We are writing to urge you to respect and protect the vital interests of the quota holders under the U.S. raw sugar tariff-rate quota (TRQ) in the current negotiations on the U.S.-Mexico suspension agreements (SA) on sugar. Specifically, we ask that you protect the right of the TRQ quota holders to supply any additional U.S. raw sugar import requirements beyond the bound minimum TRQ. The International Sugar Trade Coalition (ISTC) is an association of sugar industries that export sugar to the United States under the U.S. TRQ on raw sugar.¹

The SA concluded in December 2014 that suspended the imposition of duties on dumped and/or subsidized Mexican sugar were intended to eliminate the injury that these unfairly traded imports cause to the U.S. sugar industry. The quota holders, although lacking legal standing, were equally harmed by Mexico's unfair trade practices, as both the volume of access and market prices received were depressed.

With respect to raw cane sugar, the SA essentially granted Mexico a right to supply all U.S. imports beyond the roughly 1.1 million metric tons (MT) base TRQ, which is allocated to 39 other countries in accordance with U.S. international obligations, and relatively small amounts reserved to certain countries under bilateral free-trade agreements.

The SA subjected Mexico's right to supply this additional sugar to two conditions: first, raw cane sugar had to amount to at least 47 percent of all Mexican sugar supplied to the U.S. market, and second, Mexican sugar export prices had to meet or exceed an established minimum. Experience over the past two years has shown that Mexico has not met these conditions. Accordingly, the U.S. Department of Commerce has announced its intention to lift the suspension and impose the duties if outstanding issues under the SA are not resolved by June 5, 2017.

In November 2014, before the SA were signed, ISTC advised the Departments of Commerce and Agriculture that any agreement should ensure that TRQ exporters maintain their right to supply additional U.S. import needs that are evident after April 1, the earliest date at which, under the Farm

¹ ISTC members are the sugar industries of Barbados, Belize, the Dominican Republic, Fiji, Guyana, Jamaica, Malawi, Mauritius, Panama, the Philippines, Swaziland, and Zimbabwe. Together, the members of ISTC account for about half of the tariff-rate quota.

Bill, the base TRQ may be increased. ISTC argued that whenever the U.S. market needs imports beyond the SA target quantity, “such additional imports should first be assigned to the quota holders.”

This position, which remains valid, is based in law, equity and practical market reality. The legal basis is Article 24 of GATT 1994, which states that free-trade agreements such as NAFTA “should to the greatest possible extent avoid creating adverse effect” on the trade of WTO members outside the free-trade area. As a matter of equity, the ISTC members, unlike Mexico, are fair traders; it has never been suggested that the ISTC members engage in any unfair trade practices. Finally, the practical reality is that imports from ISTC members go directly to U.S. refineries.² The same cannot be said of imports from Mexico, which has been intentionally circumventing traditional refiners, depriving them of raw sugar throughput. ISTC members’ fairly traded sugar should not be prejudiced by sugar from Mexico that has been found to be unfairly dumped, subsidized, and diverted away from the traditional U.S. refineries whose access to supplies the SA were intended to protect.

The long history of the U.S. sugar program offers ample evidence of the reliability and readiness of quota holders to supply U.S. raw sugar requirements. An arrangement with Mexico that respects the quota holders’ position as the first source to which the United States turns for additional raw sugar imports beyond the base TRQ will protect the program and its stakeholders from the disruptions and injuries caused by Mexico that have led to the current impasse.

We would be happy to meet to discuss these matters further or to provide any additional information that you may require. We appreciate your attention to the interests of ISTC members and quota holders as your discussions with Mexico proceed.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Ryberg". The signature is written in a cursive, flowing style with some loops and flourishes.

Paul Ryberg
President

² Small amounts of quota sugar imports from ISTC members are special-purpose sugars, such as demerara and muscovado, that are not further refined before final sale, but do not compete with or displace refined sugar.