INTERNATIONAL SUGAR TRADE COALITION, INC.

401 Ninth Street, N.W., Suite 640
Washington, DC 20004
Phone: 202-531-4028
www.sugarcoalition.org istc@sugarcoalition.org

June 7, 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, S.W.
Washington, D.C. 20250

Dear Secretary Ross and Secretary Perdue:

The June 6 agreement in principle between the Department of Commerce and Mexico's Ministry of the Economy excludes suppliers other than Mexico from an opportunity to compete for sales of sugar that US customers may need late in the fiscal year, when domestic production and imports authorized at the beginning of the fiscal year fall short of US demand. The agreement reserves to Mexico the opportunity to supply 100 percent of this "additional sugar." Unless Mexican producers are unable to ship, sugar producers in countries that hold allocations under the US raw sugar tariff rate quota (TRQ) under the sugar program are completely shut out.

This arrangement is deeply disappointing to members of the International Sugar Trade Coalition (ISTC), an association of sugar industries in countries that account for about half of the US raw sugar TRQ.[1] The arrangement grants a privilege to Mexican suppliers of sugar that the Department of Commerce itself has found to be unfairly traded, subsidized by the Mexican government and dumped on the US market. By contrast, the ISTC suppliers whom the agreement excludes offer fairly traded sugar, in full compliance with US and international trade laws. We note as well that, in contrast to sugar from Mexico, essentially all raw cane sugar imported from ISTC suppliers goes for processing by traditional US refiners, who create and capture added value in the US.

The ISTC countries, and other countries that participate in the TRQ, have seen their access to the US sugar market steadily eroded by the operation of NAFTA. This erosion stands in apparent contravention of Article 24 of GATT 1994, which states that "regulations of commerce" maintained by members of a free-trade area toward the trade of countries outside the area "shall not be … more restrictive" after formation of the area than they were before. The exclusion of suppliers other than Mexico from the market for additional sugar is a new and painful restriction.

Moreover, we are puzzled by the summary of the provisions of the agreement in principle that indicates that 99.5 degrees polarity will be used to distinguish raw from refined sugar under "additional imports," whereas 99.2 degrees is the standard for other imports. This seems to create a license for Mexico to continue to undercut the antidumping remedy by selling high-polarity sugar at the raw sugar antidumping price, provided it does so late in the year. Such a provision makes no logical sense, unless it is as it appears to be an intentional loophole to allow Mexico to continue to cheat.

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[1] The members of ISTC are the sugar industries of Barbados, Belize, the Dominican Republic, Fiji, Guyana, Jamaica, Malawi, Mauritius, Panama, the Philippines, Swaziland, and Zimbabwe.

We ask that before the agreement in principle enters into effect, it be amended (1) to permit the Office of the US Trade Representative to allocate quota for "additional sugar" to countries that participate in the TRQ, and (2) to use the same 99.2 degrees polarity standard even for "additional imports." Such provisions will ensure adequate supplies of raw cane sugar to US refiners and respect the rights of the quota holders.

Sincerely,

Paul Ryberg
President

cc: Ambassador Robert Lighthizer