COALITION FOR
SUGAR REFORM

Managed Trade With Mexico:

A Bad Deal for U.S. Businesses, Consumers and Workers

In March 2014, U.S. sugar producers filed antidumping and countervailing duty petitions against Mexican sugar imports for alleged dumping in the United States and flooding the market. In response, the U.S. government, Mexican government and Mexican exporters have signed suspension agreements to address the claims. However, these agreements not only set a bad precedent for our bilateral trade relationship, but they also move America's already protectionist sugar policy farther away from a free market approach. The agreements mark a new level of restraint on trade with Mexico, serving as a way to further inflate prices for American consumers and U.S. sugar users by setting price restrictions on Mexican sugar imports above already artificially high U.S. sugar prices.

"[T]he new U.S.-Mexico sugar deal would amount to managed trade in this commodity and, as such, a partial rollback of a market-opening agreement both sides had negotiated in good faith more than two decades ago. Potential U.S. free-trade partners, take note."

— "U.S.-Mexico Sugar Deal Means Higher Prices for Consumers," *The Washington Post* editorial, December 10, 2014

"Sugar is getting dearer in the U.S. even as it is getting cheaper in most other places. ... U.S. sugar prices are typically a few cents higher than the world rate due to government policies that restrict imports and support growers. But the gap blew out this year after the government threatened to slap taxes on imported Mexican sugar at the behest of U.S. growers."

— "U.S. Sugar Soars Above World Prices," *The Wall Street Journal*, December 8, 2014

"[The] agreements are of significant disservice to American bakers and American consumers. ... [They] ... equate to managed trade in direct conflict with the purpose of the North American Free Trade Agreement; ... and create an unnecessary complex quota and sub-quota system to restrict needed imports by time and quantity."

— Independent Bakers Association, November 18, 2014

"Sugar had the longest transition to open trade of any commodity: NAFTA took effect in 1994, but sugar trade did not become duty-free and quota-free until 2008. Now, the suspension agreement[s] ... effectively restore quotas for Mexican sugar and also impose a price floor on shipments."

— International Dairy Foods Association, November 18, 2014

"Our smaller members have less access to sugar than larger companies, and with limited supplies from Mexico, they ... have fewer options to grow their businesses and exports. Having access to sugar supplies from Mexico is crucial to the competiveness of our industry, our ability to manufacture competitively in the U.S. and to employ U.S. workers, and to supply our consumers with confectionery products."

— National Confectioners Association, November 18, 2014

"[The agreements] replace the current, unrestricted free trade in sugar between the two countries - an outcome that was explicitly bargained for between the United States and Mexican governments - with a managed trade structure. This ... structure will limit the quantity of Mexican sugar that may be imported into the United States and establish reference (or floor) prices below which such sugar may not be sold. ... [They] represent a significant step backwards in the trade in sugar between the United States and Mexico."

— Sweetener Users Association, November 18, 2014

"Rather than permitting supply and demand to determine and adjust flows of sugar between the United States and Mexico, the agreements put the U.S. government squarely in charge of deciding how much Mexican sugar can enter the U.S. market ... Placing all responsibility upon the U.S. government to successfully manage myriad supply and demand factors ... put[s] the vitality of the U.S. baking industry at risk."

— American Bakers Association, November 18, 2014

"The deal reached ... to suspend the U.S. Commerce Department's trade remedy investigations against Mexican sugar imports adds layers of complexity to an already regulated market for the commodity, both in terms of managing sugar prices and the way in which Mexico can supply the market, according to experts. ... This ends what was a period of free trade in sugar between the U.S. and Mexico since 2008, in which Mexico was the only country that could sell in the U.S. outside the restraints of the U.S. sugar program."

— "Mexican Sugar Settlement Adds Layers of Complexity to Regulated Market," *Inside U.S. Trade*, October 30, 2014

"U.S. food companies can't get enough sugar even as the world heads for a fifth straight year of surpluses. Imports are restricted by tariffs first imposed two centuries ago to protect cane farmers, and a trade dispute is slowing deliveries from Mexico, the top foreign supplier. The gap between U.S. and world prices reached the widest in two years ... ."

— "U.S. Can't Get Enough Sugar for Dum Dums With Import Curb," *Bloomberg*, September 16, 2014