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Mexico

Sugar

New Requirement to Import U.S. HFCS 2002

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Report Highlights:

On December 31, 2001, the Secretariat of Economy (SE) announced in the "*Diario Oficial*" (Federal Register) that an "import permit" issued by SE is now required to import HFCS from the United States. This requirement went into effective January 15, 2002. However, it is unclear whether HFCS imports will be allowed into Mexico until additional administrative procedures for import permits are announced in the *Diario Oficial*.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], MX

Introduction: This report summarizes new import regulations to import high fructose corn syrup (HFCS) published in Mexico's "*Diario Oficial*" (Federal Register) on December 31, 2002.

Disclaimer: This summary is based on a *cursory* review of the subject announcement and therefore should not, under any circumstances, be viewed as a definitive reading of the regulation in question, or of its implications for U.S. agricultural export trade interests. In the event of a discrepancy or discrepancies between this summary and the complete regulation or announcement as published in Spanish, the latter shall prevail.

FAS/Mexico's Executive Summary: The Secretariat of Economy (SE) published on December 31, 2001, in the "*Diario Oficial*" (Federal Register) the 2002 General Import Tariffs for products originating in countries with which Mexico has trade agreements including NAFTA countries. In article 49 of this announcement, SE published that HFCS imports from the United States must now include an "import permit" issued by SE in order to have access to NAFTA tariff rates (1.5 percent ad valorem). This "import permit" will be issued automatically by the Secretariat in accordance to the international rights and obligations agreed to by Mexico. The H.T.S. products affected are: 1702.4099, 1702.5001, 1702.6001, 1702.6002, and 1702.6099. This requirement is effective from January 15, 2002. If HFCS is imported without the "import permit" SE will apply the general import tariff rate as follows (see report MX 1182):

H.T.S	PRODUCT	TARIFF MFN
1702.40.99	Others	156
1702.50.01	Chemically pure fructose	210
1702.60.01	With a fructose content, in dry form, greater than 50% but less or equal to 60%, in weight	210
1702.60.02	With a fructose content, in dry form, greater than 60% but less or equal to 80%, in weight	210
1702.60.99	Others	210

This announcement also gives the Government of Mexico (GOM) the option of limiting or suspending the issuance of HFCS import permits, should the GOM decide, according to its international rights, to do so because of the ongoing sugar/sweetener dispute between Mexico and the U.S. Such a decision would be announced in the *Diario Oficial* prior to the suspension or limitation of permits.

Despite the fact that the effective date of implementation of this announcement is January 15, 2002, SE contacts have indicated that they are not to issue import permits until SE publishes an additional announcement in the *Diario Oficial* regarding more specific procedures on the administration of these import permits. No date was given for this announcement. It is unclear at this time how U.S. HFCS exports to Mexico will be affected prior to the publication of this second announcement.

Trade Concerns: According to the domestic industry, imported HFCS from the United States amounts to approximately 250,000 MT, dry basis. The 20% tax imposed recently by the Secretariat of Treasury (SHCP) on sales of HFCS-containing soft drinks and beverages is expected to reduce HFCS imports to about 13,000 - 25,000 MT, dry basis. In addition to the beverage tax, U.S. HFCS imports are still subject to anti-dumping duties of, depending on the type of HFCS and the exporting company (see report MX 1110), between 55.4 and 175.5 percent, despite a recent WTO decision which ruled that such duties were WTO-inconsistent; to date Mexico has not complied with the WTO ruling to lift the antidumping duties. With this new import permit requirement, SE would have an additional control on the regulation of U.S. HFCS imports and the tariffs to which they would be subject.

To clarify, U.S. HFCS imports are currently subject to the following duties:

1. NAFTA duties (1.5 percent ad valorem)
2. Anti-dumping duties (between 55.4 and 175.5. percent)
3. Tax on beverages containing HFCS (20 percent on the finished product)

However, without an import permit or should the GOM decide to suspend the issuance of import permits because of the ongoing U.S./Mexico sugar/sweetener dispute, U.S. HFCS imports would be subject to these duties:

1. MFN duties (from 156 percent to 210 percent)
2. Antidumping duties (from 55.4 to 175.5 percent)
3. Tax on beverages containing HFCS (20 percent on finished product)

Additional Information: FAS reported in MX2002, that SHCP imposed a 20 percent tax on sales of soft drinks and beverages that use any sweetener other than sugar from cane. As a result of this tax, Mexican bottlers are cancelling HFCS orders from the two main domestic producers of HFCS and will be making up the difference by using sugar in their bottling formulas. Given the anticipated decrease in Mexican demand for HFCS, these two HFCS producers would virtually have to stop importation of HFCS from the United States, except for a very small amount. Also, these same producers would also have to reduce their domestically produced HFCS, which would directly impact approximately 525 million metric tons of U.S. corn imports.

Title: Announcement Establishing the 2002 General Import Tariffs for Products Originating in the United States and other Countries.

Important Dates

1. **Publication Date:** December 31, 2002
2. **Effective Date:** January 15, 2002

Agency in Charge: Secretariat of Economy (SE)

Background Information: The table below summarizes prior actions related to the HFCS trade.

DATE	TITLE OF REPORT	FAS Rpt#
01/23/98	Mexican HFCS Compensatory Duties Ratified	MX8005
02/23/98	Evasion of Duties on Imported HFCS-55 Investigation	MX8019
03/25/98	Creation of HFCS Tariff Lines	MX8031
09/14/98	Compensatory Duties for U.S. HFCS Imports	MX8104
10/01/98	Mexico Clarifies Compensatory Duties for U.S. HFCS Imports	MX8115
05/16/00	Mexico to Revise its Final Antidumping Resolution on U.S. High Fructose Corn Syrup	MX0075
09/21/00	Revised Final Resolution of the Antidumping Investigation on Imported HFCS	MX0140
09/20/01	Initiative to Ban U.S. Fructose Imports	MX1167
10/12/01	Modification of HFCS Import Duties	MX1182
10/12/01	Announcement on U.S. HFCS Antidumping Case	MX1185
11/28/01	Reevaluation of HFCS Antidumping Case	MX1186
01/04/02	New Tax for Beverages Containing HFCS	MX2002

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FAS Mexico Web Site: We are available at <http://www.atomexico.gob.mx> or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

Useful Mexican Web Sites: Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at www.sagar.gob.mx and Mexico's equivalent of the Department of Commerce (SE) can be found at www.economia.gob.mx These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with the information contained on the mentioned sites.