

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary Public

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Mexico

Post: Mexico

Sugar Included in Mexico-Central America FTA

Report Categories:

Sugar

Trade Policy Monitoring

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Report Highlights:

Mexico signed on November 22, 2011 a Free Trade Agreement with Central American countries (Costa Rica, Guatemala, Honduras, Nicaragua and San Salvador). One of the features of this agreement is that these countries will have preferential access to the Mexican sugar market.

General Information:

Mexico signed on November 22, 2011 a Free Trade Agreement with Central American countries (Costa Rica, Guatemala, Honduras, Nicaragua and San Salvador). This is a unification of agreements as Mexico had previous trade agreements with these countries to simplify trade and increase integration. One of the features of this agreement is that these countries will have preferential access to export sugar to the Mexican market. Under the agreement, whenever Mexico opens a tariff-rate quota for sugar, it would grant zero duty quotas to the following countries, by percentage of total announced TRQ: Honduras receives 8%, Costa Rica receives 5%, San Salvador receives 8%, Guatemala receives 22%, and Nicaragua will continue with the 10% it already had. The TRQ's remaining 57% would be open to any other country.

This agreement still has to be ratified by the Senate in Mexico.

Post does not expect this agreement to significantly impact the amount of sugar Mexico exports to the United States. It may impact the amount of sugar Mexico imports from particular trading partners.

A rough translation of sugar-related annexes to the free trade agreement is included below, with links to the official Spanish version.

TRANSLATION

FREE TRADE AGREEMENT BETWEEN MEXICO AND THE REPUBLICS OF COSTA RICA, SALVADOR, GUATEMALA, HONDURAS AND NICARAGUA

http://www.economia.gob.mx/files/comunidad_negocios/tlcs/tlc_centroamerica/Indice.pdf

Appendix 1 to Annex 3.4

Sugar Treatment

Mexico - Costa Rica, El Salvador, Guatemala and Honduras

Starting page 152 :

http://www.economia.gob.mx/files/comunidad_negocios/tlcs/tlc_centroamerica/III_Anexo_3.4_Programa_de_Tratamiento_Arancelario.pdf

Mexico does not grant tariff concessions for sugar to the states listed in this Appendix, unless it is deemed necessary to import through unilateral import quotas in order to meet its supply needs, and will give countries a quota percentage share in accordance with the below table, under the following conditions:

1. The share given to each State listed in this Appendix will be imported duty free.
2. The sugar import quota will be allocated in accordance with domestic legal procedures in Mexico.
3. During April and May of each year, if applicable, Mexico will announce through its official channels the import needs for the supply of sugar and the opening of the respective quotas. Notwithstanding the foregoing, in the event that Mexico announces at any other time the opening of

a unilateral import quota of sugar, the quota will be allocated to the states listed in this Appendix in accordance with the corresponding percentages.

4. Each State listed in this Appendix can export sugar to Mexico at the corresponding percentage in accordance with the attached table, with preferential tariff treatment in accordance with paragraph 1, within 2 months from the date the respective quota certificates are issued. Notwithstanding the foregoing, in cases where the validity of the unilateral import quota at the MFN basis are in excess of 4 months, the states listed in this appendix shall have 3 months from the date the respective quota certificates are issued to exercise them.

To benefit from the tariff preference established in paragraph 1, the sugar from each State listed in this Appendix shall comply with the applicable rule of origin set forth in Section B of Annex 4.3 (Specific Rules of Origin).

5. In the event that the amounts of the quotas granted to the states listed in this Appendix have not been exercised in the period of validity, Mexico will make them available to third States in accordance with the provisions announced for unilateral import quotas.

The amount of the quotas not exercised by the states listed in this Appendix will not be available in subsequent periods.

6. For volumes that exceed the quota amount awarded to the states listed in this Appendix, as described in the following table, the out of quota treatment is set out in paragraph 1 (g) of the General Provisions of Annex 3.4. That is, the States may participate, without the tariff preference established in this Appendix, in the unilateral quota at a tariff rate equal to the MFN basis, without prejudice to the rights and obligations of States under the WTO.

7. For purposes of this Appendix, the term "sugar" will be understood as goods classified in heading 1701. Mexico will indicate in the notice referred to in paragraph 3, depending on the case, the specific tariff rates subject to quotas.

8. Without prejudice to the concessions granted by Mexico to the States listed in this Appendix, Mexico and the States agree to coordinate efforts with the respective customs authorities, in order to prevent evasion of payment of customs duties for sugar or products with high sugar content.

9. The governments of Mexico and the States listed in this Appendix shall establish a work program with the participation of their sugar industries, in order to combat the smuggling of sugar, including technical smuggling, in the most focused and effective way possible.

TABLE: Duty Free Share

<u>State</u>	<u>Percentage Share (%)</u>
Guatemala	22
El Salvador	8
Honduras	8
Costa Rica	5

Appendix 2 to Annex 3.4
Sugar Treatment
Mexico – Nicaragua

1. Mexico does not grant sugar tariff concessions to Nicaragua, except for when it is necessary to import in a particular year, and in this case, it will give Nicaragua a 10 percent tariff quota established for that purpose. This participation shall be exempt from customs duty.
2. Exports of sugar from Nicaragua under the tariff rate quota established in paragraph 1, shall comply with the terms and conditions established by Mexico, according to international sugar trade practices.
3. To benefit from the tariff preference established in paragraph 1, the sugar from Nicaragua shall comply with the applicable rules of origin set forth in Section B of Annex 4.3 (Specific Rules of Origin). For the amount that exceeds the quota quantities granted to Nicaragua, the out of quota tariff treatment is set out in paragraph 1 (g) of the General Provisions of Annex 3.4. That is, Nicaragua may participate without the tariff preference established in this Appendix, at a tariff rate equal to the MFN basis, without prejudice to the rights and obligations of States under the WTO.
4. For purposes of this Schedule, the term "sugar" will be understood as goods classified under the following tariff items described in the General Tax Law of Import and Export of Mexico: 1701.11.01, 1701.11.02, 1701.11.03, 1701.12.01, 1701.12.02, 1701.12.03, 1701.91.01 (except those that contain flavoring), 1701.99.01, 1701.99.02 and 1701.99.99.
5. Without prejudice to the concessions granted by Mexico to Nicaragua in this Appendix, both States agree to coordinate efforts with the respective customs authorities, in order to prevent evasion of payment of customs duties for sugar or products with high sugar content .
6. The governments of Mexico and Nicaragua will establish a work program, with the participation of their sugar industries, in order to combat the smuggling of sugar, including technical smuggling, in the most focused and effective possible way.

END TRANSLATION

For More Information:

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/Mexico YouTube Channel: Catch the latest videos of FAS Mexico at work
<http://www.youtube.com/user/ATOMexicoCity>

Useful Mexican Web Sites: Mexico's equivalent to the U.S. Department of Agriculture

(SAGARPA) can be found at <http://www.sagarpa.gob.mx> and Mexico's equivalent to the U.S. 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.

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX1081	Mexican Sugar Reference Price Up Slightly	11/1/2011
MX 1078	Mexico Announces a New TRQ	10/26/2011
MX1065	Mexico to Consider Additional Sugar TRQs	8/15/2011
MX1048	Expected Tariff Rate Quota for Sugar	6/13/2011
MX1029	2011 Sugar Annual: Sugar and Sugar Cane Production Forecast Stable with HFCS Consumption Grows	4/15/2011
MX0081	Sugar Reference Price	11/9/2010
MX0071	Mexico Formally Announces 100K MT Sugar TRQ	10/18/2010
MX0069	TRQ for Sugar Expected	10/4/2010
MX0068	Sugar, Sugar Cane, and HFCS Situation	10/4/2010