Draft II—11/12/92
Dole/Simpson Letter to President Bush on NAFTA Sugar

Dear Mr. President,

We are writing to express our concern regarding the sugar provisions of the North American Free Trade Agreement, which you are preparing to send to Congress for approval. These provisions, if passed, could prove disastrous for the U.S. sugar industry and depress U.S. corn sweetener prices, as well. These two industries combined generate $18.5 billion in revenues annually and over 360,000 U.S. jobs.

Under the proposed NAFTA, as early as the seventh year of the agreement, Mexico could export its entire surplus of sugar to the United States, a virtually unlimited amount, if it is projected to achieve surplus producer status two years in a row. Administration officials are telling U.S. producers they have nothing to worry about, because Mexico will remain a deficit sugar producer.

Unfortunately, however, the Administration appears to be basing this reassurance on selective, inaccurate interpretation of its own economic analysis.

A thorough U.S. Department of Agriculture study distributed last week examines scenarios for the future of the Mexican sugar industry. In this study, USDA projects that Mexico will remain a deficit sugar producer *only under a continuation of current policies.* Administration officials have made it clear to us, however, that the policy and price terrain for sugar in Mexico would be dramatically different under the proposed NAFTA.

In the same study, USDA projects that, under a scenario including policy and price changes similar to those that will be mandated by the NAFTA, *Mexico would have a 1.2-million-metric-ton surplus just by 1996, only the third year of the agreement.* Surpluses in subsequent years are likely to be still larger, as NAFTA-mandated sugar price increases in Mexico encourage sugar production and discourage sugar consumption, and the huge Mexican beverage industry switches from sugar to lower-priced corn sweeteners.

The entire U.S. sugar import quota this year is only 1.23 million metric tons. *By year 7 of the agreement, the United States would be obliged to import Mexican sugar surpluses that are likely to be large enough to replace all imports from the other 38 import-quotaholding countries, depress U.S. sweetener prices, destroy the no-cost operation of the U.S. sugar program, and drive many U.S. sugar growers out of business.*

In order to avoid these damaging consequences, we strongly urge you make the following modifications in the NAFTA before you submit the agreement to the Congress for approval:

1. Strike the provision giving Mexico virtually unlimited access to the U.S. market after 6 years if it is projected to achieve surplus producer status two consecutive years.

2. Expand the definition of "surplus producer" to include consumption of corn sweeteners.

3. Base the surplus producer determination on verifiable history, not on projections.

4. Increase from 10 years to 15 years the proposed phaseout of U.S. Section-22 import protection on refined sugar and sugar-containing products from Mexico, to be consistent with the transition period for raw sugar.

Please note the broad bipartisan support for these recommendations in the attached letter. In addition, we are encouraged about the potential for prompt action on these changes because of commitments made by Administration officials while they were campaigning recently in sugar growing areas. We understand, for example, that Secretary Madigan told Michigan sugarbeet growers that if the NAFTA would harm them, he would work with the industry to make appropriate changes.

We, too, offer to work with you to achieve these minimal changes, which we regard to be fair and just. Failure to achieve these modifications will seriously jeopardize Senate approval of the NAFTA.

Sincerely,

Robert Dole
Minority Leader
United States Senate

Alan K. Simpson
Assistant Minority Leader
United States Senate