

February 4, 2008

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232, U.S. Capitol
Washington, D.C. 20515

The Honorable Harry Reid
Majority Leader
U.S. Senate
S-221, U.S. Capitol
Washington, D.C. 20510

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
H-204, U.S. Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
S-230, U.S. Capitol
Washington, D.C. 20510

Dear Speaker Pelosi and Leaders Reid, Boehner and McConnell:

On January 1, 2008, provisions of NAFTA which had limited sugar trade between the United States and Mexico expired, and trade was fully liberalized. Limitations on trade in other agricultural products, including corn, beans and powdered milk were also lifted as of January 1, 2008. Despite the long phase-in period and mere weeks after the liberalization was finally implemented, the U.S. and Mexican sugar industries have concocted a private arrangement to reverse these market-opening sugar provisions in direct contravention of the NAFTA, and are working to have the provisions of this arrangement inserted into the farm bill conference.

The sugar industry is the most highly-protected U.S. agricultural industry and has already won major additional protection in the pending farm bill, as well as an increase in their government-guaranteed price. This attempt to limit access to the U.S. market even further will have major negative impacts that go far beyond the U.S. and Mexico sugar industries.

By seeking to rewrite the negotiated commitments of NAFTA by substantially restricting sugar trade, this privately-concocted arrangement will undermine the foundation upon which trade agreements are built. If implemented, this arrangement will hurt U.S. credibility in every on-going trade negotiation, and any possible future trade negotiation. Our trading partners will be reluctant to enter into agreements, if they see the U.S. Congress passing legislation that invalidates key provisions of one of our most important trade agreements.

This arrangement is also expected to re-ignite the long-running U.S.-Mexico dispute over U.S. exports of corn sweeteners, since the deal would limit Mexico's potential shipments of sugar to the United States by tying their export eligibility to a percentage of U.S. exports of corn sweeteners to Mexico. Furthermore, unilaterally rewriting the NAFTA sugar provisions would strengthen the hand of the numerous Mexican agricultural groups seeking to renegotiate other provisions of NAFTA, threatening U.S. exports of other important agricultural commodities.

This attempt to rewrite the rules of NAFTA, however, has implications that go far beyond sweetener and agricultural trade. Trade agreements are negotiated as a whole, both vertically within specific sectors, such as agriculture, manufacturing and services, but

also horizontally with trade-offs between these different sectors of the economy. In this case, reopening NAFTA's sugar provisions could put in jeopardy the market access achieved not only for U.S. farmers, but for U.S. manufacturers and service providers as well.

We have been strong supporters of the free trade agreements, the on-going negotiations in the Doha Development Agenda at the WTO, and Trade Promotion Authority. However, this current proposal put forth by the U.S. sugar industry threatens to undermine trade liberalizations that have been achieved, as well as threatening trade-liberalizing efforts in the future. It is critical that you stand firmly against this attempt to unravel a trade agreement that has been in force for more than 14 years. We urge you to issue the strongest possible statement condemning this arrangement and to reject any piece of legislation that contains it or similar provisions that would rewrite the provisions of NAFTA.

Respectfully,

American Beverage Association
American Frozen Food Institute
American Meat Institute
Business Roundtable
Emergency Committee for American Trade
Grocery Manufacturers Association
International Dairy Foods Association
National Association of Manufacturers
National Chicken Council
National Foreign Trade Council
National Retail Federation
Retail Industry Leaders Association
Snack Food Association
Sweetener Users Association
United States Council for International Business
U.S. Chamber of Commerce

cc: The Honorable Tom Harkin, Chairman, Senate Committee on Agriculture
The Honorable Saxby Chambliss, Ranking Member, Senate Committee on Agriculture
The Honorable Colin Peterson, Chairman, House Committee on Agriculture
The Honorable Bob Goodlatte, Ranking Member, House Committee on Agriculture
The Honorable Max Baucus, Chairman, Senate Committee on Finance
The Honorable Chuck Grassley, Ranking Member, Senate Committee on Finance
The Honorable Charles Rangel, Chairman, House Committee on Ways and Means
The Honorable Jim McCrery, Ranking Member, House Committee on Ways and Means