REUTERS

Mexico seeks one million sugar export floor in trade dispute with U.S

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By Adriana Barrera

MEXICO CITY (Reuters) - Mexico is seeking a floor on sugar exports of at least 1 million tonnes per year and insists the United States drop anti-dumping claims against its southern neighbor to resolve a sugar trade dispute, a Mexican source close to the talks said on Tuesday.

The comments could signal a renewed willingness by Mexican negotiators to relent to a lower exports minimum just days before U.S. regulators are due to decide whether to slap dumping penalties on Mexican sugar. They also suggest both countries are still in a standoff in the months-long dispute as the lower figure would likely be rejected by the U.S. sugar industry, traders have said.

The head of Mexico's government-owned mills said earlier this month that Mexico would be open to a settlement which sets an export minimum of between 1.1 million and 1.3 million tonnes.

If an agreement is not reached, Mexico will escalate the dispute to an international body such as the World Trade Organization, the source told Reuters, speaking on condition of anonymity due to the sensitivity of the negotiations.

U.S. sugar producers have complained Mexico is flooding the U.S. market with under-priced and subsidized sugar, launching a trade dispute which has the potential to push up the prices of U.S. candy and confectionary.

The proposed 1 million ton export floor is similar to the amount of fructose imported by Mexico from the U.S.

The U.S. Department of Commerce is due to make a decision on anti-dumping duties on Oct. 24, which would be added to recommended preliminary anti-subsidy duties up to 17.01 percent on Mexican imports.

But duties could be suspended if the parties can reach an agreement to cap exports, which are currently unlimited.

A spokesman for the American Sugar Alliance, which represents the U.S. petitioners, declined to comment.

But Rick Pasco, president of the Sweetener Users Association, said 1 million tonnes would "not be acceptable," noting that Mexican imports have been 1.8 million -1.9 million tonnes in recent years.

Cato Institute senior fellow Daniel Pearson said Mexico should keep in mind that the U.S. industry might lose the case in the end, as it also needs approval from the International Trade Commission.

Pearson, a former ITC commissioner, said sugar producers had to show the domestic industry has been materially injured or is threatened with material injury as a result of imports from Mexico, and this was a high hurdle.

"It's not clear to me that they should give up at this point on achieving a negative vote at the ITC," he said.

National Foreign Trade Council President Bill Reinsch said any agreement to limit trade could keep prices artificially high.

"The problem in this case is that that ignores everybody but the growers on both sides of the border. Consumers and downstream users of sugar (like candy makers) are left out in the cold," he said in an email.