



4 November 2016

**CEFS position on the modernisation of the trade pillar of the EU-Mexico agreement**

Dear Commissioner Malmström,

Mexico is the seventh largest world sugar producer and the fifth largest world sugar exporter after Brazil, Thailand, Australia and Guatemala (ISO, 2015). Mexican sugar production and exports are supported through huge government intervention and subsidies. The EU, on the contrary will become from 2017 one of the most deregulated sugar markets in the world. Trade policy is one of the few remaining tools to create a level playing field with the major sugar world producers and exporters and to sustain a dynamic EU sugar industry. The sector has worked hard to increase its competitiveness and now ranks among the most competitive sugar sectors worldwide. However, it is neither possible nor fair to compete with Mexican sugar that is supported in the following ways:

1. About two-thirds of Mexican sugar production is organised within the Mexican sugar chamber (CNIAA). Within CNIAA members pledge to limit domestically marketed sugar to a pre-determined level. By limiting supply on the domestic market sugar prices are kept at a relatively high level.
2. Because of their relative inefficiency, Mexico's sugarcane growers need a relatively high price for their cane. Every year the government sets a minimum sugarcane price based on a sugar reference price, which is usually well above world market prices. Mexico can thus export sugar at very low prices.
3. On 20 October 2015 the U.S. International Trade Commission uncovered Mexican government grants to all cane growers and grants to all sugar mills to cover the purchase price of cane sugar. The commission ultimately ruled that imports of Mexican sugar to the U.S. had been subsidised by margins of up to 44 per cent and dumped by margins of up to 42 per cent. As a result Mexican sugar exports to the US have been limited. This means that Mexico must find access to other markets for its dumped and subsidised excess sugar.

We therefore ask that the European Commission tackle the abovementioned trade-distorting practices before offering any market access concessions for sugar and high sugar containing products to Mexico. We oppose the opening of the EU market to sugar rendered artificially competitive by government support. We insist that a level playing field is needed before any concessions can be offered to Mexico in the context of the modernisation of the trade agreement with the EU.

Yours Faithfully,

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Director General, CEFS

