

US Says Dominican Corn Syrup Tax May Undermine Trade Deal

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SANTO DOMINGO, Dominican Republic (AP)--The U.S. has warned it could suspend plans to implement a free trade agreement with the Dominican Republic if the Caribbean country's Congress passes a 25% import tax on corn syrup.

In a letter to the Dominican Ambassador in Washington, U.S. Deputy Trade Representative Peter Allgeier said the proposed tax would discriminate against U.S. sugar producers and violate the free trade agreement the two countries signed in August. The pact would take effect next year pending approval by Congress in both countries.

A copy of the letter, dated Aug. 31, was given to The Associated Press on Wednesday by a Dominican senator who asked not to be named. U.S. Embassy spokesman Dale Largent confirmed the letter's existence but declined to comment further. U.S. Trade Department officials were not immediately available for comment.

The new tax, which passed in the Chamber of Deputies last week, comes up for debate in the Senate on Thursday.

"Passing those measures, no matter the context, would create immediate doubts about the credibility of agreements with the Dominican Republic," Allgeier said.

He warned the U.S. could "suspend indefinitely all decisions referring to the agreement" if the tax passes.

The tax is part of a fiscal reform package that President Leonel Fernandez needs passed to restart negotiations with the International Monetary Fund for some \$600 million in loans to give the struggling Dominican economy a boost.

Inflation is over 30% and the Dominican peso has lost half its value against the U.S. dollar the past two years. Power outages constantly plague the country.

The IMF made an initial disbursement of \$66 million in February, but has since suspended the agreement until the government meets requirements like stabilizing the peso, lowering inflation and bolstering state revenues.

Besides the syrup tax, the proposed reform includes 10 to 20% tax hikes on beer and tobacco products, international travel and the sales tax.

Fernandez's administration, which assumed power Aug. 16, submitted the reform package without the syrup tax.

The Chamber of Deputies added it after heavy lobbying from the sugar industry, one of largest employers in the Caribbean nation of 8.8 million. Corn syrup has a sugar base and is used in many food products, including soft drinks.

Secretary of Finance Vicente Bengoa said Wednesday "it was an error to include" the syrup tax. "We propose the Senate pass the reform the way it was," he said.