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BUSINESS & FINANCE

Brewers Fighting Mexican Imports

By Stuart Auerbach
Washington Post Staff Writer

American beer manufacturers, angered that they can't sell their suds south of the border, took aim yesterday at Mexico's preferential treatment as a Third World nation that allows its beer into the United States duty-free.

They asked that Mexican beer, which amounts to 6.2 percent of all U.S. beer imports, be graduated from the Generalized System of Preferences list and charged duty.

The U.S. Brewers Association petition appears to be part of a campaign by American beer manufacturers—especially No. 1 Anheuser-Busch—to get Mexico to allow U.S. beer to be sold in Mexico.

"We believe in free competition as long as it is free on both sides of the border. It is important that American brewers receive fair treatment by the Mexican government," said Anheuser-Busch President Dennis P. Long in a July 2 memo to his company's wholesalers that listed action on Mexican beer's duty-free status as the first step in a campaign to open markets for U.S. beer.

See BEER, D9, Col. 2

Brewers Request Duty on Imports From Mexico

BEER, From D8

The memo, which was included as part of Mexico's counterattack on the Brewers Association petition, urged wholesalers of Anheuser-Busch who also distribute Mexican beer to "let your Mexican suppliers know that it is time for their free ride to end."

Bart S. Fisher, attorney for Mexico's National Association of Beer Manufacturers, accused Long before the International Trade Commission of "predatory corporate behavior."

"For what does the mighty U.S. beer industry have to fear from Mexican beer?" Fisher continued.

He said the $26.6 million of Mexican beer imported by America last year amounted to 6.7 percent of all U.S. beer imports. "America is hardly awash in Mexican beer, nor is it likely to be," Fisher told a hearing yesterday of the U.S. Trade Representative's Trade Policy Staff Committee.

But the Brewers Association argued in its petition that Mexico is the world's sixth largest producer of beer, and its impact on the American Southwest is growing rapidly. In California, Mexican beer was 26 percent of the import market in 1981.

A Brewers Association representative spokesman said the group supports the statement of Matthew J. Marks, attorney for Anheuser-Busch, who focused on the Mexican government's refusal to allow U.S. beer to be sold in Mexico.

MISSOURI TIMES
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April 4, 1983

Business News

U.S. brewers win heady victory in import fight with Mexico

By JOAN EDWARDS

WASHINGTON — Anheuser Busch Inc. and the U.S. Brewers Association last week won a round in their trade skirmish with Mexican brewers.

President Reagan approved a recommendation that will mean an import duty on brews from south of the border.

The brewers' group, the USBA, had petitioned the U.S. special trade representative to impose a duty of 6 cents a gallon on Mexican beer, which now enters the U.S. duty free. Reagan's approval means the duty now will be imposed, though the Mexican brewers are expected to contest the ruling, possibly in the International Court of Trade.

There is no flood tide of Mexican beer swirling across the border, but U.S. brewing companies, struggling to increase sales, have focused on the duty-free status of Mexican beer and Mexico's refusal to grant licenses for U.S. beer exports to Mexico.

In 1982, Mexican beer consumed in the U.S. represented only about 0.19 percent — about 10 million barrels out of the total U.S. annual consumption of 182 million barrels. Mexican beer was imported under the system that excludes Mexico and about 150 developing countries from import duties on about 3000 items — mostly food.

The brewers say profits are down for many smaller breweries. They say the Mexican brewing industry, sixth largest in the world, produced about 22 million barrels last year and is now "mature and highly efficient." Therefore, they contended, there was no competitive need for duty-free treatment.

Washington attorney Bart Fisher is representing Mexico's National Association of Beer Manufacturers.

"The reason profits are down for mass-market U.S brewers is the giants are pouring barrels of money into advertising campaigns the smaller breweries can't afford," Fisher said. "Mexico needs to earn foreign exchange in order to pay its debts to U.S. banks, and to be able to pay for U.S. imports.

"Anheuser Busch, which is spearheading this protectionist campaign against Mexican beer, is proving that it is not a friend of Mexico," Fischer said. "For the U.S. brewing industry to seek to limit Mexico's access to the U.S. market at a time of deep financial crisis is irresponsible, and the 14.6 million Hispanics living in this country should draw the appropriate conclusions."

Mexican beer is very popular among Hispanics in Texas and California, and accounts for about 30 percent of foreign beer sales in those states. Anheuser Busch is targeting increased sales in the Southwest, by expanding its Los Angeles and Houston breweries.

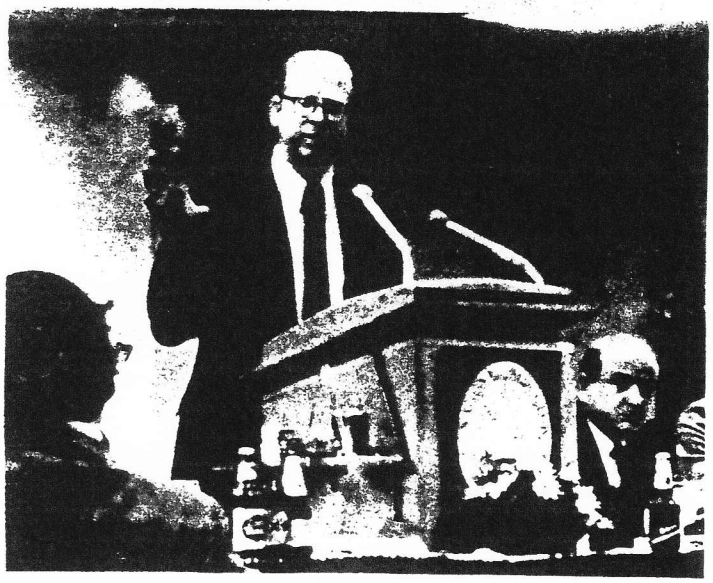
Under the trade regulations, countries granted tariff-free access for a product to the U.S. market should provide "equitable and reasonable access" to their country. A spokesman for Anheuser Busch said the three largest Mexican brewers, "currently see no advantage in exposing their monopoly to U.S. beer imports."

Last summer, Anheuser Busch President Dennis P. Long sent a letter to all wholesalers encouraging them to "stir up sentiment among your congressmen for reciprocity" for U.S. beer exports to Mexico and "tell them duty-free status for Mexican beer will hurt your business."

The letter continued, "For those of you who may be distributing Mexican beer, let your Mexican suppliers know the free ride will end."

"Anheuser Busch is just one of many in the USBA wanting Mexico to open its market to U.S. beer," Matthew Marks, Anheuser Busch's Washington attorney, said. "In our negotiations, Anheuser Busch was more willing than others to go along with the Mexicans." He rejected Fisher's allegation that Anheuser Busch is engaging in anti-competitive behavior.

Missouri Republican Sen. John Danforth supported the brewers' position and sent a letter to U.S. Trade Representative Wil-



Amy Worden photo

Fisher explains brewers' position during news briefing

liam Brock on Feb. 23 that said, "Graduation from duty-free treatment is appropriate when a country has reached Mexico's level of development, is competitive on a specific product and a graduation is in the overall interests of the U.S." Danforth is chairman of the Senate Commerce Subcommittee on international trade.

A spokesman for Democratic Congressman Richard A. Gephardt, of St. Louis, said the congressman believes Mexico should open its markets to U.S. brewers, "largely as a signal to trading partners to be more even-handed."

"In the short term, there may not be the dollars in Mexico to buy U.S. beer anyway," the spokesman said. "But in the long term, it's a principle worth pursuing."

Last September, the director of the Mexican Association of Beer Manufacturers sent a letter to Henry King, USBA president, acknowledging the brewers' concern about access.

"As soon as the economic conditions of our country permit, we believe our two governments will once again discuss the problem," the letter said.

The U.S. imports about 12.5 million duty-free gallons of beer annually under the tariff rules. Of that, 10.4 million gallons, worth about $27.8 million, comes from Mexico.

Beers from industrialized, developed nations, however, are charged an import duty. The Netherlands, with its popular Heineken, leads other importers in U.S. sales, with about 61 million gallons annually. Canada is second, with annual sales of about 47 million gallons.

All beer exporters, however, pay state and federal excise taxes. The federal tax is $9 a gallon. State taxes vary widely. In Missouri, the tax is $1.86.

Although the import duty on Mexican beer would be only 6 cents a gallon, some experts say markups by wholesalers and distributors would increase the cost to the consumer by about 60 cents a case.

Many U.S. brewing companies, with the notable exception of Anheuser Busch and Heileman, are troubled by declining sales and profits. Production fell last year for Miller, Schlitz, Pabst, Coors and Olympia. The trend for domestic breweries is downward, while imports are up. In 1970, there were 750 U.S. brewing companis and in 1982 there were 45, according to USBA. But there has been some increase in the number of "boutique breweries" that produce very limited amounts of beer, catering to specialized tastes.

The intense competition among U.S. industry giants has created severe problems for smaller competitors who find it rough going in the seas of expensive advertising and promotion. Anheuser Busch, which now has a 32 percent share of the U.S. market, is seeking 40 percent. Miller, which had a share of about 22 perent, is Anheuser Busch's hottest competitor.

Anheuser Busch spent over $225 million in advertising in 1981 — up from $117 million in 1978. No figures were available for Miller, but it appeared to be keeping pace.

Mexican beer generally sells for approximately double the price of domestic beer. "It's totally absurd to think that Mexican beer imports are hurting the U.S. industry," Fisher said.

"Ninety percent of all the equipment to produce Mexican beer is purchased in the U.S. — along with about 70 percent of all the hops and barley," the Mexican brewers' lawyer said.

To Americans who love their Pabst, Miller, Coors or Bud, a rise in the price of Mexico's Dos Equis or Carta Blance may be inconsequential. But for the Mexicans, it's no small beer.

Thurs., Mar. 10, 19
ST. LOUIS POST-DISP

Beer Brouhaha Buck Stops With Reagan

By Lawrence M. O'Rourke
Post-Dispatch Washington Bureau

WASHINGTON — The brouhaha over Anheuser-Busch beer and Mexican beer is slowly fermenting its way toward President Ronald Reagan's desk

The big dispute is over 16 cents a six-pack. That is what the U.S. government could charge Mexican brewmasters for every six-pack of Mexican beer shipped across the border to this country.

The United States does not charge that 16 cents, but it should, say Anheuser-Busch and its brewing associates in a petition filed with U.S. Trade Representative Bill Brock.

The president must decide within the next few days on whether he wants to grant Mexican brewmasters another round of the special exemption it holds from U.S. tariffs.

If the president says the Mexicans are having their last round, then the swinging doors of the U.S. Customs Office at the border will shut on April 1 and after that the Mexicans will have to put their 16 cents on the bar to get each of their six-packs through.

The Mexican side of this conflict was argued here Wednesday by Washington lawyers and public relations experts, and a team of Mexican government and brewery officials.

Their one-hour press conference produced some foam, but it appears that the really good stuff is brewing behind the scenes through Brock's office.

The Reagan administration seems to be trying to negotiate an amicable settlement to this dispute between the U.S. brewers, principally Anheuser-Busch, and the Mexican government.

The U.S. beer makers are unhappy with Mexico's attempt to impose an absolute ban on consumption of U.S. beer in Mexico. In the mountain of legal papers in this case, that is known as the "reciprocity" issue.

The ban is not absolute because folks who live in Mexico along the border with Texas, New Mexico, Arizona and California are known to buy their groceries in the United States and to tuck a six-pack or two into the bag.

But in places like Mexico City and Cancun and Tijuana and Acapulco and Guadalajara where a thirsty Mexican or tourist might want to enjoy dinner with a Budweiser or Miller or Schlitz, the ban is effective. Only Mexican beer can legally be sold there.

The U.S. companies argue that they want their suds to be as freely available in the cooler or on the grocery shelf in Mexico as Mexican beer is available here.

But the Mexican government and the brewing industry it is trying to protect will not allow complete reciprocity. If the U.S. beer companies came to Mexico with their products, prices and advertising, said Fisher, the result could be a "wipeout" for Mexico's four brewing companies.

The Mexicans this week offered a deal that they hope the president and Brock will get Anheuser-Busch to accept. The Mexicans offered to let 500,000 cases of U.S. beer into Mexico every year under a reduced tariff. According to Fisher, the Mexicans offered a 25 percent tariff cut, but may be willing to go for more.

Harry King, spokesman for the U.S. Brewers' Association in Washington, said he asked executives of the nation's 22 major breweries to respond to the Mexican first draft. He hopes to get his reply to the White House today.

Fisher and the Mexicans said Reagan has already decided in favor of Anheuser-Busch and against the Mexicans. King said he was not aware of that, and Barbara Bain, spokeswoman for Brock, said only that the president must decide by March 31.

Mexico sold $27 million in beer to the United States last year, according to reports filed with the government. That amounts to .19 percent of U.S. beer consumption and 6.7 percent of U.S. beer imports. The major beer exporting countries to the United States are Holland, Canada and West Germany.

U.S. trade law allows the president to grant special preferences to products and countries. The general idea is to give a boost to poor developing countries.

Such a country is Mexico, said Andres Escobar Y Cordova, director general of Mexico's National Association of Beer Manufacturers. He said a Reagan decision to take away from Mexico the 16-cent-a-six-pack benefit it gets as a developing country would send the wrong signal south of the border.

Fisher said he hoped that 14.6 million Hispanics within the United States would drive this point home by drinking Mexican beer. He insisted he was not urging a boycott of American beer by Hispanics living in this country.

Gerard J. Van Heuven of the U.S.-Mexican Chamber of Commerce beer trade across the border works ways. He said Mexico buys its barley and equipment from the U. States.

Van Heuven said the Re administration has been urging M to develop its own resources in ord pay off its debts to U.S. banks. He that cancellation of the 16-cent for the Mexicans would postpon day when the Mexican economy ca itself right.

Manuel Fernandez, an import Irvine, Calif., said sales of Me beer in the United States rose years prior to last year. Me devaluation of the peso drove u cost of Mexican beer in the U. States in 1982 and sales slumped.

Fernandez said the cost of a six on U.S. shelves is about $4.69. A pack of Heineken from Holland about $4.56. Budweiser and domestic beers run around $2.50 pack, he said.

The likely result of a R decision to impose the 16-cent char Mexican beer would be to drive drinkers of premium beer to Heineken, not toward the U.S. b the Mexican beermasters insisted

ST. LOUIS POST-DISPATCH
Wed., Oct. 6, 1982

Mexico's Beer Policies Brew Discontent

By Lawrence M. O'Rourke
Post-Dispatch Washington Bureau

WASHINGTON — With a great deal of foam, the long-brewing dispute between Anheuser-Busch Inc. and Mexico's beer barons came to a head Tuesday before a federal trade panel.

At issue is a charge of 6 cents a gallon that Mexico's brewers do not pay on the suds they ship into the United States. Other foreign brewers must pay the tariff. Those who must pay the half-cent per can tariff include Britain's Bass, Canada's Molson, Germany's Becks, Italy's Peroni, China's Tsing Tao and almost every other of the world's brewers has to pay the tariff — about a half-cent per can — on the beer they send to America.

Beer makers in the United States dislike that special privilege for Mexico. They also resent the Mexican law that makes it impossible for the U.S. breweries to market their product south of the border. The Mexicans were awarded an exemption from the tariff by then-President Gerald R. Ford in 1974 as a goodwill gesture.

Anheuser-Busch and its fellow members of the U.S. Brewers Association went before the federal interagency Trade Policy Staff Committee on Tuesday with a request that the tap be turned off on the Mexican preference.

They say it gives the Mexican beer an unfair advantage when beer sellers set out to quench the thirst of the Mexicans, Hispanic-Americans and others with a yen for beer in Southern California and south Texas. Most of the Mexican beer sold in the United States goes to customers in areas along the Mexico-U.S. border.

Even so, Budweiser still outsells Carta Blanca and other Mexican brews among the Spanish-speaking beer drinkers, witnesses testified. A can of Bud costs less than a bottle of Carta Blanca. Transportation costs drive up the price of the Mexican beer, witnesses said.

U.S. breweries are more productive than Mexico's. Andres Escobar y Cordova, director general of the Asociacion Nacional de Fabricantes de Cerveza, said, "While American breweries' labor costs are higher than their Mexican counterparts, the productivity of an American brewery employee is four times greater than that of a Mexican worker."

Bart Fisher represented the Mexican brewers at the hearing. He was accompanied by other lawyers and a public relations specialist. Fisher is a lawyer in Washington originally from Clayton.

Matthew J. Marks, a lawyer in Washington, spoke for Anheuser-Busch and the rest of the U.S. brewers. He also had a sizable entourage.

Fisher said he recently had shopped in a supermarket near his home in Virginia and had found a six-pack of Mexican beer selling for $4.71. In the same case, Bud sold for $2.40, he said.

Fisher said the price suggested to him that Mexican beer drinkers were likely to be people so fond of Mexican beer that they would gladly pay an extra half-cent a can for it.

Revoking the preference for Mexico would send that nation an unfriendly message from the United States, Fisher said. "America is hardly awash in Mexican beer."

"Mexico needs all the help it can get — not just from the U.S. government, but American industry as well," he said.

Beer imported from Mexico in 1981 was valued at $26.6 million, or 6.7 percent of the $397 million in total U.S. beer imports, government and industry statistics show.

Total Mexican beer exports amounted to about 0.2 percent by volume of total U.S. beer production. Almost all of Mexico's beer comes to the United States.

Marks says the Mexican ban on U.S. beer concerns American brewers more than the duty exemption. "We want them to play by the same rules. For us, it's more symbolic. We want to send them a signal," he said.

Rep. Richard A. Gephardt, D-St. Louis, testified for Anheuser-Busch. He said the recent devaluation of the Mexican peso would lower the cost of the Mexican beer to the American consumer and would let Mexico grab a larger part of the U.S. market.

The federal government will report its decision on the Anheuser-Busch petition in the spring.

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THE NEW YORK TIMES, FRIDAY, APRIL 1, 1983
APRIL 1

Duty-Free Imports Cut by $1.4 Billion

Special to The New York Times

WASHINGTON, March 31 — President Reagan signed an order today reducing by $1.4 billion, to $7 billion, the value of imports from developing countries that may come into the United States duty-free.

The products, which range from Mexican beer to office calculators from Singapore, were deemed sufficiently competitive to stand on their own in the American market without the special concession.

The practical effect will be to make the products more expensive. The Carta Blanca brand of Mexican beer, now exempt from tariffs, sells for about $4.70 a six-pack at retail. The duty on beer is 2.4 percent. The new tariff means a six-pack will cost 16 cents more, including the retailer's markup, trade sources said.

Opposition to Preferences Grows

Since the mid-1970's, the United States, together with most other industrial countries, has granted duty-free treatment on a large number of products from poor countries. The purpose of the so-called Generalized System of Preferences was to help these countries sell more and pay their way in the world.

But the products have been competing increasingly with domestic manufacturers, and there has been heavy domestic pressure, especially during the recession, to reduce the value of the concessions.

The product list on which the concessions are granted has been reviewed periodically by the Carter and Reagan Administrations. Today's action represented by far the largest single withdrawal of the preferences.

Reactions were mixed. Stanley Nehmer, a trade consultant who represents many domestic clients, said the President's decision "this time is more in keeping with the intent of Congress that G.S.P. not be used in such a way as to hurt import-sensitive industries."

But Bart Fisher, a lawyer representing the National Association of Beer Manufacturers of Mexico, said the decision on Mexican beer was "ludicrous and regrettable."

He said that Carta Blanca is competitive with Heineken beer imported from the Netherlands, which costs $4.59 a six-pack. "We're giving the market to Holland and simply making it more difficult for our banks to get paid by Mexico," he said. The Mexicans sold about $27 million worth of beer in the United States in 1982.

Law Expires in January

Even after today's action, the United States will still grant zero duties on 3,000 products imported from 140 developing countries. The authority to provide these concessions expires Jan. 3, 1985.

Trade officials said privately that one reason for lopping off so many of the preferences this year was to prepare the way for what is expected to be a tough battle in Congress when the Administration asks to renew the authority. Reducing the preferences could make renewal more palatable.

Because of the 1984 elections, the Administration is expected to introduce renewal legislation by this summer and seek passage later this year. One trade official said the Administration may seek authority to grant concessions to the more advanced developing countries only if they agree to remove some of their obstacles to American exports.