



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 2/7/2003

GAIN Report Number: MX3020

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #6

NAFTA Update Edition

2003

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Report Highlights:

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], [MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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BEANS ARE A NATIONAL PRIORITY

On February 5, 2003, Secretary of Agriculture, Javier Usabiaga, admitted that of all the products adversely affected by the opening of NAFTA's agricultural chapter, the one the government must pay the greatest attention to, is beans. (Source: *El Universal*, 2/4/03)

TRQs ON U.S. CHICKEN LEG QUARTERS

On January 31, 2003, the Secretariat of the Economy (SE) published in the *Diario Oficial* (Federal Register) a decree imposing tariff rate quotas (TRQs) on U.S. chicken leg quarter imports of 50,000 MT. According to Secretary of the Economy, Fernando Canales Clariond, the TRQ is to promote competitiveness and help domestic producers. The products are classified under tariff numbers 0207.13.03 and 0207.14.04. The TRQ is destined to the northern border line, the border region, and Puerto Morelos (Cancun). Requests for this TRQ will be accepted during the six working days following the publication of this agreement. (Source: OAA, *Diario Oficial*, 1/31/03)

MEXICAN SENATE DELEGATION WILL DISCUSS AGRICULTURE

A group of Mexican senators, led by Institutional Revolutionary Party (PRI) Senator Silvia Hernandez, head of the Foreign Relations Committee, and a staunch NAFTA supporter, will travel to the United States this week to discuss NAFTA issues with U.S. Representative, Bob Goodlette (R- VA), head of the Agriculture Committee in the U.S. House of Representatives, and Senator Thad Cochran (R- MI), head of the Agriculture Committee in the U.S. Senate. Senator Hernandez said that the purpose of their visit was not to "renegotiate" NAFTA, but to explore ways to improve it. (Source: *Milenio Diario*, 2/3/03)

"DON'T WORRY, SAFEGUARDS WORK JUST FINE"

On February 5, 2003, Secretary of Agriculture, Javier Usabiaga, opened the possibility of reviewing individual parts of NAFTA's agricultural chapter; and cited as proof that NAFTA could work for the Mexican agricultural sector, and noted the recent safeguard implementation on poultry imports). (Source: *El Universal*, 2/4/03)

"THE LIGHT AT THE END OF THE TUNNEL"

On February 3, 2003, Antonio Cannan, President of the State of Puebla Union of Pork Producers (AGRPP), said that Mexico's steps toward initiating an anti-dumping investigation case against U.S. pork exports was their "light at the end of the tunnel" to what seemed to be a promised Armageddon to Mexican farmers. (Source: *Milenio Diario*, 2/3/03)

DON'T EVEN THINK ABOUT IT

On February 5, 2003, Secretary of Government Affairs, Santiago Creel put on his game face as he sternly rejected any possibility that upcoming discussions NAFTA's agricultural chapter could be a viable option for rescuing the feeble rural sector. (Source: *El Financiero*, 2/6/03)

NAFTA BENEFITS MEXICAN EXPORTS

Al Anoop Singh, head of the inter-American division of the International Monetary Fund (IMF) warned of "fragility" among many countries in Latin America are still vulnerable due to high debts, *dolar-ization*, and under growth of income inequalities. In the case of Mexico, he showed that NAFTA has allowed for a dramatic increase in Mexican exports. (Source: *Reforma*, 2/5/03)

"PROTESTS AND ULTIMATUMS DON'T RESOLVE ANYTHING"

On February 5, 2003, the governor from the state of Coahuila, Enrique Martinez and Secretary of Agriculture, Javier Usabiaga, agreed that the solution to the rural sector's problems would not be solved through protests or ultimatums, but rather would be championed through open dialogue and consensus. (Source: *El Universal*, 2/4/03)

DIALOGUE WITH PRESIDENT FOX POSTPONED

On February 3, 2003, Presidential spokesman, Rodolfo Elizondo, downplayed ultimatums made by farming groups. Farming organizations proposed that a planned dialogue with President Fox be postponed until they met with representatives from the Agriculture Secretariat, Economic Secretariat (SE), and the Secretariat of Governmental Affairs. (Source: *La Jornada, Milenio Diario*, 2/3/03)

AGRICULTURAL DISCUSSION ROUNDS

On February 6, 2003, Under Secretary of Government Affairs, Ramon Martin Huerta announced that every month, the government's coordinating councils would participate in "Discussions for a Unified Rural Sector Governmental Policy." These coordinating councils will be comprised of representatives of the executive branch, two members from the rural sector, two members from the private sector, representatives from the state governors' offices, two members representing legislative groups, and two designees from the Secretariat of Agriculture (SAGARPA). (Source: *La Jornada*, 2/7/03)

DISCUSSION ROUNDS COMMENCEMENT

On February 6, 2003, the federal government along with farming groups kicked off "Discussions for a Unified Rural Sector Governmental Policy" with the hopes of reaching a national pact an aid for the rural sector "as urgent as possible." The eight discussion rounds will convene from February 10 through March 5. Mexican congressman Erick Villanueva insisted that NAFTA's agricultural chapter must be modified. Of the 10 speeches delivered at the ceremony, five main positions could be distinguished: 1) Secretary of Agriculture, Javier Usabiaga defined the discussion rounds as "positive to the new democratic order" one with "openness and desire to exchange and listen to diverse viewpoints;" 2) Secretary of Government Affairs, Santiago Creel Miranda, said that the government's posture was "simple, sincere, and honest," he added that "this debate promises to reach goals that in the past were thought to be unattainable;" 3) A spokesman for the farming group "The Farmland Can't Stand Anymore," said there are over 25 million people in the rural sector that live below the poverty line, and that are vulnerable to the market opening initiated by NAFTA's agricultural chapter; 4) Secretary of the Economy, Fernando Canales Clariond said that this was an excellent forum to promote the 35 million dollars of benefits and economic development that NAFTA has brought to Mexico, and 5) Speaker of the Mexican House of Representatives, Erick Villanueva, stated that "NAFTA benefits have run out and a new agricultural chapter must be discussed and rewritten, the injustice and inequities are a threat to national security." (Source: *El Financiero, La Jornada, 2/7/03*)

These are the new dates for the discussion rounds:

AGRICULTURE COORDINATING COUNCIL DISCUSSION ROUNDS		
Round	Date	Topic
1	February 10-12	The role of the rural rector in the national agenda
2	February 13	Budget and financing for rural sector development
3	February 17	Development of social rural sector policies
4	February 18	Arranging the rural property
5	February 19	Environment and rural sector development
6	February 24	The rural sector and governance under the rule of law
7	February 27	Legislative agenda for the rural sector
8	March 3-5	NAFTA domestic and international trade

PRI WILL PARTICIPATE IN THE DISCUSSIONS AND OTHER ACTIVITIES

On February 6, 2003, the PRI party stated that they were willing to participate in the upcoming agriculture discussions. The PRI will be sending their heavy hitters such as Senate leader Enrique Jackson and top Congressional support from Rodriguez Barrera and Beatriz Paredes Rangel, the National Farm Worker Council (CNC) spokesperson and supporter. Speaker of the Mexican House of Representatives, Erick Villanueva, stated that he would meet with U.S. and Canadian officials to develop a common agricultural policy the NAFTA member countries. (Source: *Reforma, La Jornada, 2/7/03*)

"PROTEST U.S. FARM SUBSIDIES"

On February 3, 2003, state of Zacatecas Governor, Ricardo Monreal, urged President Fox to consider anti-dumping complaints against U.S. imports as a way to protest the effects of U.S. farm subsidies. (Source: *El Universal, El Financiero*, 2/3/03)

"WHAT CRISIS ARE YOU TALKING ABOUT?"

On February 4, 2003, President Fox stated that the rural sector was in crisis and assured that the indicators in that sector were better than some in other sectors of the economy. President Fox affirmed, "there is no crisis in the rural sector, in these two years it has grown more than in other sectors of the economy, significantly more than the national economy has grown as a whole." Additionally, the Federal Government accepted the farming organization's terms for the upcoming discussion on agriculture. (Source: *Reforma, El Financiero, La Jornada*, 2/5/03)

AGRARIAN NATIONAL CONVENTION, CANCELLED

Organizers of the Agrarian National Convention, programmed for February 5, 2003, in Querétaro, announced the cancellation of this meeting. Gloria Peralta, coordinator of the Permanent Agrarian Council (CAP) stated that there was a possibility that her organization would convene next week to initiate a dialogue. (Source: *La Jornada*, 2/5/03)

THE NATIONAL AGRICULTURAL PACT

One day after announcing that the Mexican rural sector "was not experiencing a crisis," President Fox stated that his administration would double its efforts to help families suffering from rural poverty. He added that the 40 million people living below the poverty line would not be ignored any longer. The GOM and farming groups agreed that they would attempt to prepare a National Agricultural Pact by March 15, so this issue would not interfere or influence the upcoming midterm elections. (Source: *Reforma, El Universal, El Financiero*, 2/5/03)

THE CAP IS OUT

On February 5, 2003, Secretary of the Economy, Canales Clariond said he lamented the absence of the Permanent Agrarian Council (CAP), which decided not to participate in the federal government's consultation on the rural area. (Source: *La Jornada*, 2/6/03)

INTRODUCING "NAFTA COMMON STOCK"

The Institutional Revolutionary Party (PRI) presented to address the rural crisis. They presented an innovative design called "the NAFTA common stock" for the Mexican rural sector. This fund will function similar to that existing in the European Union and will include stronger protection from foreign markets "basic foods". (Source: *El Universal*, 2/5/03)

ACCORDING TO THE WORLD BANK MEXICO NEEDS TO...

Investigators at the World Bank explain that they have detected seven effects from the liberalization of Mexico's agricultural trade via NAFTA. They emphasize improved allocation of resources, better efficiency and agricultural productivity, reduction in unit costs to compete with imports, as well as the elimination of subsidized public credit and a greater participation in the financing of agriculture by the private sector. (Source: *Milenio Diario*, 2/5/03)

ANGEL OF INDEPENDENCE SEIZED BY ANTI-NAFTA PROTESTS

On February 5, 2003, in the midst of a national holiday, the 86th Anniversary of the Mexican Constitution, a group of demonstrators forcefully entered the column of the historic Angel of Independence monument to hang an anti-NAFTA banner from the top balcony. Demonstrators were evacuated by city police, but only after they came to blows with the demonstrators. (Source: *La Jornada*, 2/6/03)

EVEN FLOW

Alberto Szekely, special international legal adviser to the Foreign Relations Secretariat (SRE), will attempt to halt two USG plans to redistribute water from the Colorado River that reportedly would reduce water flows to Mexico by 56 million cubic meters a year. The GOM is also attempting to halt the reinforcement of the All-American Canal. (Source: *El Financiero*, 2/5/03)

TORTILLA MONGOL SUPPORTS THE RURAL SECTOR

On February 5, 2003, Robert González Barrera, President of the Gruma commercial group, publicly exhorted other corporations to support efforts that benefit the rural sector. Mr. González Barrera is one of Mexico's wealthiest businessperson and the owner of Maseca, the largest producer of tortillas. (Source: *La Jornada*, 2/6/03)

NATIONAL HOLIDAY FANS THE FLAMES OF ANTI-NAFTA SENTIMENT

On February 5, 2003, during the celebration of the anniversary of the Mexican Constitution, farmers in the states of Tamaulipas, Sonora, Jalisco and Nayarit organized marches and sit-downs to express their aversion to NAFTA's agricultural chapter. In the capital city of Ciudad Victoria, in the state of Tamaulipas, over 2,000 producers with tractors and horses marched through the streets proceeding to the center of the city. (Source: *El Universal*, 2/6/03)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

Number	Title	Date
MX3017	Weekly Highlights & Hot Bites Issue #4	01/29/03
MX3018	Weekly Highlights & Hot Bites Issue #5	02/04/03
MX3019	Mechanism to allocate the tariff rate quota for poultry	02/04/03

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