



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 12/9/2005

**GAIN Report Number:** MX5109

## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites, Issue #43

2005

**Approved by:**

Suzanne E. Heinen  
U.S. Embassy

**Prepared by:**

Gabriel Hernandez, Benjamin Juarez, and Jeff Nawn

---

**Report Highlights:**

- **MEXICO CALLS FOR CUTS TO SUBSIDIES**
  - **ANNUAL INFLATION DECLINES TO RECORD LOW**
  - **MEXICO APPEALS WTO DECISION ON HFCS**
  - **SENATORS DEMAND A SWEET SOLUTION**
  - **LEFTIST CANDIDATE PROMISES TO REOPEN NAFTA**
  - **MIGRATION IMPACTS MEXICAN ECONOMY**
- 

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.

**DISCLAIMER:** Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

### MEXICO CALLS FOR CUTS TO SUBSIDIES

Mexican trade negotiators stated that they see little hope for progress at next week's World Trade Organization summit unless developed countries agree to cut farm subsidies. The negotiators reiterated that they will not support tariff reductions on manufactured goods and services, as is the hope of developed countries, unless a meaningful agreement on farm subsidy cuts can be made. While President Vicente Fox fiercely defended free trade at the Summit of the Americas in Argentina in November, his administration also sees U.S. and E.U. farm subsidies as unfair competition. "We will not support advancing on non-agricultural goods and services, unless the developed countries are aggressive in the reduction of what I would call unjust and excessive subsidies that cut off market access for us," Economy Secretary Sergio Garcia de Alba told reporters. A recent study by Oxfam International suggested the United States grants about U.S. \$9.3 billion over their WTO farm subsidy limit. The report goes on to suggest that countries like Mexico, which import large amounts of U.S. corn and rice, could file a complaint with the WTO for part of those payments. "We cannot compete with the subsidies of these developed countries," Garcia de Alba said. "Developed countries have to make a significant effort at eliminating the internal and export subsidies, because they distort international prices." He also stated that the issue is "very important" for Mexico's antipoverty plans since almost 25 percent of the population lives in rural areas, compared to about 2 percent in developed nations. The December 13 –18 summit in Hong Kong aims to create modalities that countries must follow to cut trade barriers across a range of sectors, but in recent weeks members have said that it is not likely that an agreement will be reached. (Source: El Universal; 12/09/2005)

### ANNUAL INFLATION DECLINES TO RECORD LOW

November's inflation rate is the lowest since the central bank began tracking the statistic over thirty years ago. Mexico's annual inflation rate fell to a record low in November, adding to speculation that the central bank will cut the benchmark lending rate tomorrow for a fifth time this year in order to bolster the economy. In the past 12 months inflation has slowed to 2.91 percent, the lowest rate since the central bank began keeping records in 1969, and below the nation's 3 percent target for the first time. The previous record low was 3.05 percent in October. Core inflation, which excludes fresh food and energy prices, slowed to 3.11 percent, also the lowest on record. November probably will mark the third straight month that Mexico posts lower inflation than the United States, where central bankers are raising interest rates to keep prices in check. "Interest rates in Mexico are still very high, and one can see that in the peso," said Adolfo Albo, chief Mexico economist with

Banco Bilbao Vizcaya Argentaria SA's Mexican unit, the nation's largest lender. "There's room to cut even with the U.S. raising rates." Banco de Mexico directors, led by Governor Guillermo Ortiz, probably will reduce the benchmark overnight rate to 8.5 percent tomorrow from 8.75 percent, said 15 of 20 economists surveyed. Since August, the central bank has made four quarter-percentage-point cuts in the benchmark-lending rate. (Source: El Universal; 12/09/2005)

### **MEXICO APPEALS WTO DECISION ON HFCS**

The Secretary of Economy announced the initiation of the process to appeal the October 7, 2005, WTO decision, which called for the elimination of the 20 percent tax that the Government of Mexico (GOM) imposes on soft drinks that use high fructose corn syrup (HFCS) as a sweetener. The GOM now has less than ten business days to present its legal arguments before the WTO Appellate Body, after which the Appellate Body has 60 days to publish a definitive resolution. Given certain legal maneuvers, this timeframe could be extended up to three month. Secretary of Economy Sergio Garcia de Alba, recently discussed the implicit risk and possible consequences derived from this action. De Alba explained that if Mexico loses the case, there may be an untimely enforcement of the resolution and —due to the delay in rescinding the tax— possible direct retaliation from the United States, such as compensatory duties applied to horticultural products, such as avocados. De Alba and Secretary of Agriculture Francisco Mayorga, who made appearances before the Economy and Agriculture Commissions, both admitted that the sugar issue is very complex, and committed themselves to bringing this trade controversy under the NAFTA framework. Moreover, De Alba and Mayorga declare that they are searching for solutions to avoid a crisis in the Mexican sugar sector, and that Mexico is ready to impose a 210 percent duty on HFCS imported from the U.S. (Source: El Financiero; 12/07/2005)

### **SENATORS DEMAND A SWEET SOLUTION**

Mexican Senators unanimously demanded a definitive resolution to the sugar and the high fructose corn syrup (HFCS) problem during hearings with Secretary of Economy, Sergio Garcia de Alba, before the Trade and Agriculture committees. The reaction of the senators was due to the Secretary's appeal to the World Trade Organization's decision on Mexico's Special Tax on HFCS. The Secretary responded that Mexico decided to appeal with the purpose of winning time to analyze the new resolution, as well as to resolve the problem of exporting sugar to the United States under NAFTA. Nevertheless, he admitted that the GOM is prepared to impose a compensatory duty of 210 percent on the HFCS imported from the United States. (Source: Reforma; 12/07/2005)

### **LEFTIST CANDIDATE PROMISES TO REOPEN NAFTA**

Mexico's leftist presidential front-runner, Andres Manuel Lopez Obrador, said he would seek to revise a clause in the North American Free Trade Agreement (NAFTA) between the United States, Mexico, and Canada that proposes free trade in corn and beans. He said the complete opening of the corn and bean market would destroy Mexico's rural economy. He also criticized the free trade agreements that past Mexican governments signed because of the lack of equity between the U.S. and Mexican farmers. According to Lopez Obrador, the United States provides higher supports to farmers than Mexico. (Source: El Universal; 12/03/2005)

## MIGRATION IMPACTS MEXICAN ECONOMY

According to Jose Angel Gurria, the recently elected general secretary of the Organization for Economic Cooperation and Development (OECD), Mexico needs migration because it is an important element of its economy. He said that it is interesting that every year between 300,000 and 400,000 Mexicans are immigrating into the United States. "The important thing for Mexico is to understand how much the economy will have to grow in order for its citizens to not have to resort to migration." Angel added that as OECD's leader he would include migration as a topic in the agenda of the international organization. (Source: El Universal; 12/007/2005)

## REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

MX5108	Weekly Highlights and Hot Bites, Issue #42	12/2/05
MX5107	Annual Avocado Report	11/29/05
MX5106	Weekly Highlights and Hot Bites, Issue #41	11/28/05
MX5105	Annual Citrus Report	11/24/05
MX5104	Weekly Highlights and Hot Bites, Issue #40	11/21/05
MX5103	U.S. Fructose Under Import Permit Requirements	11/16/05
MX5102	SUGAR TRQ officially Announced	11/16/05
MX5101	Weekly Highlights and Hot Bites, Issue #39	11/14/05

We are available at <http://www.fas-la.com/mexico> or visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

### FAS/MEXICO EMAIL

To reach us at FAS/Mexico:

[AgMexico@usda.gov](mailto:AgMexico@usda.gov), [ATOMexico@usda.gov](mailto:ATOMexico@usda.gov), or  
[ATOMonterrey@usda.gov](mailto:ATOMonterrey@usda.gov)