



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/29/2003

GAIN Report Number: MX3100

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #37

2003

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Report Highlights:

NAFTA'S New Face*Special Duty For Soft Drinks With HFCS Maintained*The United States Has Not Complied With Potato Sanitary Protocol*At Risk, The Process For Global Trade Opening*Water Owed To The United States Can Be Partially Paid*Mexico Welcomes Remittances From Nationals Working In The United States*The Rural Countryside Bank Not Ready To Operate

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

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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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NAFTA'S NEW FACE

Secretary of Agriculture Javier Usabiaga said that from now on safeguards would characterize NAFTA. "The objective of negotiating safeguards is to look for a strengthened relationship among producers for a better connection and to also obtain fair and legal competition," Usabiaga added. Moreover, he said that this safeguard is not a protectionist measure but an "administration of the market" measure that would allow the development of the domestic poultry sector by defeating structural deficiencies and promoting international trade starting in 2008.

SPECIAL DUTY FOR SOFT DRINKS WITH HFCS MAINTAINED

In a meeting held recently in the Dominican Republic with top officers from major U.S. sugar companies, PRI Senator Fidel Herrera, President of the Mexican Commission for the Sweeteners Industry Sector, confirmed that Mexico would maintain the 20-percent special duty on soft drinks prepared with HFCS. "Although the U.S. sweetener sector, along with the Bush administration, is pushing hard to drop the special duty - enforced since January 2002 - the Mexican Congress will manage to maintain it as a weapon to demand the U.S. market open for Mexican sugar," Herrera said. He added that "even though the United States has a trade agreement with Mexico, sugar imports from 38 other countries are more significant than the ones from Mexico." For MY 2003, the U.S. tariff rate quota for Mexican sugar will be 10,000 metric tons while the rate for the Dominican Republic will be 200,000 metric tons. Before the Dominican sugar company representatives, Herrera called for the Latin American producer countries' solidarity to solve the dispute Mexico is having with the United States. (Source: *El Financiero*, 7/28/03)

THE UNITED STATES HAS NOT COMPLIED WITH POTATO SANITARY PROTOCOL

The Potato Producers Confederation (CONPAPA) explained that in March 2003 the United States and Mexico signed a sanitary protocol whereby the United States jeopardizes the safety of Mexican potatoes. CONPAPA complains that NAFTA has only been a one-way access to U.S. products to Mexico and not vice-versa. Therefore, the association is requesting that the United States open its borders to Mexican potatoes or U.S. potatoes will not be allowed to enter Mexico. (Source: *El Financiero*, 7/24/03)

AT RISK, THE PROCESS FOR GLOBAL TRADE OPENING

The Director of Multilateral Trade Policy of the Ministry of Economy, Eduardo Ramos, indicated that the ministerial meeting of the WTO in Cancun could translate into a quagmire in the multilateral opening process because of the irreconcilable position of the great economical powers - the United States, the European Union and Japan - with regards to export subsidies and internal support for agriculture production. Mexico has proposed a solution that, at least in this "passing stage," the principal nations involved in this gruff subject agree to establish amounts of reduction and time to carry them out, so that the current round of negotiations conclude satisfactorily. (Source: *Excelsior* and *El Financiero*, 7/23/03)

WATER OWED TO THE UNITED STATES CAN BE PARTIALLY PAID

According to a local newspaper, the Director General of the National Water Commission, Cristobal Jaime Jaquez, assured that Mexico has enough water to partially cover the debt Mexico has with the United States. He also said that should the rains continue, Mexico should have enough water for next year. However, regardless of the rains that have fallen in many parts of the country, there is still a drought in many states. (Source: *La Jornada*, 7/24/03)

MEXICO WELCOMES REMITTANCES FROM NATIONALS WORKING IN THE UNITED STATES

According to a local newspaper, the remittances from the United States to Mexico doubled in the past five years and continue to grow in such a manner that by the end of 2003, they'll be the second source of income, in dollars, for the country, behind oil exports and ahead of tourism and direct private investment. Analysts estimate that the remittances of money could reach between US\$10.5 and US\$12 billion dollars per year and will support 2.5 million Mexican families. (Source: *La Jornada* and *Milenio*, 7/24/03)

THE RURAL COUNTRYSIDE BANK NOT READY TO OPERATE

The Financiera Rural (Rural Countryside Bank) opened 20 days ago, and according to a newspaper article, there is uncertainty within the rural sector about its operations. The transition of the late BANRURAL (National Rural Credit Bank) to the Financiera Rural has been slow and confusing. The financial intermediaries from the countryside need to not only know the rules but when and in what way the bank will begin to reactivate the credit process. (Source: *El Financiero*, 7/23/03)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

Number	Title	Date
MX3097	Hot Bites Issue #36	7/23/03
MX3098	Rules of the Target Income Program for Corn, Wheat & Sorghum	7/24/03
MX3099	Poultry Safeguard	7/25/03

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