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Approved by:

William L. Brant
U.S. Embassy

Prepared by:

Benjamin Juarez and Salvador Trejo

Report Highlights:

USDA Signs Environmental Memorandum Of Understanding With Mexico*Changes In Fox's Cabinet: Agriculture, Tourism and Presidential Spokesperson*Cardenas-Jimenez Ready To Replace Secretary Usabiaga*Senators State Deficiencies And Delays On The Economy Secretariat Reports*Mexican Tomato Exports To The United States At Record Levels*Mexico's Revision On Avian Influenza Now Flexible*Farming Groups Will Demand A Review Of The National Agreement On Agriculture With Demonstrations*Farmers' Groups Claim GOM Not In Compliance With Its Commitments*Farming Groups Analyze The Impact Of International Trade Agreements*Lower Expectation Of The GDP Growth In 2003*Farmers Demand The GOM Defend Small Property Owners Before The WTO*Private Industry Seeking Help From WTO On Contraband*Technical Contraband Corrupting Mexican Customs*Customs Authorities Will Impede Smuggled Apparel*58 Percent Of Mexico's Purchased Apparel Is Of Illegal Origin*Greenpeace Alert

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

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.

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USDA SIGNS ENVIRONMENTAL MEMORANDUM OF UNDERSTANDING WITH MEXICO

U.S. Secretary of Agriculture, Ann Veneman, signed a Memorandum of Understanding with Mexico's Secretariat of the Environment and Natural Resources (SEMARNAT) on July 30, 2003, to create permanent bilateral working groups for cooperation in biotechnology, water resources, forest resources, sustainable rural development and environmental services. Signing for Mexico was SEMARNAT Secretary Victor Lichtinger. (Source: FAS/Washington, 7/30/03)

CHANGES IN FOX'S CABINET: AGRICULTURE, TOURISM AND PRESIDENTIAL SPOKESPERSON

With the resignation of the Secretary of Tourism, Leticia Navarro, "for personal reasons," speculation has it that this was an occasion for President Fox to respond to the pressures of his political party (PAN), by making changes in his cabinet. Reportedly, Rodolfo Elizondo, the current presidential spokesperson, will be designated as the new Secretary of Tourism, and the presidential private secretary, Alfonso Durazo-Montaña, will now have the presidential spokesperson position. Moreover, the media anticipates that in the next few days, Javier Usabiaga, current Secretary of Agriculture, will announce his resignation "for health reasons." The former Governor of Jalisco, Alberto Cardenas-Jimenez, who is also an outstanding member of the PAN party, is expected to replace Usabiaga. The expectation is that Fox is not going to ask for the resignation of his cabinet, but will accept their resignations if offered. (Source: *El Financiero*, 7/29/03)

CARDENAS-JIMENEZ READY TO REPLACE SECRETARY USABIAGA

The head of the Forest National Commission (CONAFOR), Alberto Cardenas-Jimenez, stated he is ready in the event President Fox names him as the new Secretary of Agriculture, replacing Javier Usabiaga. "The President is my boss, therefore I'll go where he orders me," Cardenas said. Also, Cardenas-Jimenez indicated that he is capable of performing the duties as agricultural secretary. He did mention that Javier Usabiaga's performance has been satisfactory. (Source: *El Economista*, *El Financiero*, 8/1/03)

SENATORS STATE DEFICIENCIES AND DELAYS ON THE ECONOMY SECRETARIAT REPORTS

The PRD party fraction at the Senate charged that the Secretary of Economy (SE) uses inadequate statistical data of imported agricultural products. Consequently the SE has underestimated the effects of these products and does not pay attention to the "emergency

situation" that the Senate declared to exist in the agriculture sector at the end of 2002. PRD senators said that SE reports to the Senate show figures that differ from what the same Secretariat publishes in its System of Tariff Information Via Internet (SIAVI). (Source: *EL Financiero*, 8/4/03)

MEXICAN TOMATO EXPORTS TO THE UNITED STATES AT RECORD LEVELS

The Mexican exports of tomatoes to the United States achieved record levels in January-May 2003, reaching US\$505.9 million dollars, a 55-percent increase compared to the same period the previous year. According to USDA information, in the first five months of the year, 43 percent of the Mexican exports of fresh vegetables were tomatoes. (Source: *Reforma*, 8/1/03)

MEXICO'S REVISION ON AVIAN INFLUENZA NOW FLEXIBLE

According to a local newspaper, the safeguard negotiated to limit the imports of chicken legs and thighs from the United States implicated the flexibility of Mexico's standards of revision for avian influenza (AI), because of pressure exerted on Mexico by the United States. Nevertheless, the risk for poultry health that this could cause will be moderately restrained since Mexican technicians will be authorized to verify that U.S. plants selling poultry products to Mexico are free of AI. (Source: *El Financiero*, 7/29/03)

FARMING GROUPS WILL DEMAND A REVIEW OF THE NATIONAL AGREEMENT ON AGRICULTURE WITH DEMONSTRATIONS

Farming organizations across the country announced demonstrations to demand a review of the advances in the agriculture sector. These groups request that President Fox replace his cabinet, condemn Agricultural Secretary Javier Usabiaga's performance, and state that the only competent cabinet member has been Leticia Navarro, Secretary of Tourism, who resigned last week. (Source: *Milenio, Reforma*, 8/5/03)

FARMERS' GROUPS CLAIM GOM NOT IN COMPLIANCE WITH ITS COMMITMENTS

An evaluation by the Permanent Agrarian Congress (CAP) regarding the National Agreement on Agriculture (ANC) specifies several issues: paralysis in the allocation of emergency funds, delay on the revision of operational rules of agricultural programs and bureaucratic obstacles. Also, the evaluation pointed out the lack of governors' commitment and an integral focus. These are factors that adversely impact the implementation of the ANC. According to the CAP's evaluation, 90 days after the ANC was signed, several GOM commitments were not in compliance, such as the NAFTA agricultural chapter evaluation and the beginning of official consultations with the United States and Canada to review the white corn and dry bean NAFTA provisions. Therefore, the CAP organizations hope that the GOM will accelerate its compliance of the pending compromises or else face the escalation of demonstrations by farmers groups. (Source: *Reforma*, 8/4/03)

FARMING GROUPS ANALYZE THE IMPACT OF INTERNATIONAL TRADE AGREEMENTS

The National Farm Workers' Confederation (CNC) has come out against the Free Trade Agreement of the Americas. Also, several of the groups that belong to the movement "The Farmland Can't Stand Anymore," will begin an international seminar on August 4, 2003, in which they will discuss the rights of the farmers before the agricultural trade agreements are negotiated. (Source: *La Jornada, Excelsior*, 8/4/03)

LOWER EXPECTATION OF THE GDP GROWTH IN 2003

The Bank of Mexico reduced its official forecast of economic growth for 2003 from 2.4 to 2 percent. The Bank mentioned, however, that this forecast is uncertain due to the risk that the United States' economic recovery could be insufficient to stimulate the Mexican industry. (Source: *Reforma, El Financiero*, 7/31/03)

FARMERS DEMAND THE GOM DEFEND SMALL PROPERTY OWNERS BEFORE THE WTO

"Campesino" groups demanded that the Government of Mexico (GOM) defend the national right of "producing our own food," before the ministerial summit of the World Trade Organization (WTO) in Cancun, in September. (Source: *El Financiero*, 7/31/03)

PRIVATE INDUSTRY SEEKING HELP FROM WTO ON CONTRABAND

According to a local newspaper, Mexican authorities filed a claim with the WTO to combat "technical contraband" that affects Mexico. The complaint said some countries, like the EU, must stop issuing false certificates of origin, as alleged by some private sector leaders. They said the problem is that product is coming into Mexico as American sourced, when in reality it is not of U.S. origin, although the certificate says otherwise. (Source: *Reforma*, 7/29/03)

TECHNICAL CONTRABAND CORRUPTING MEXICAN CUSTOMS

According to a local newspaper, sources that operate along the borders at customs revealed that documenting merchandise with data on the import document (*pedimento de importacion*) to avoid paying import duties at the border, which is illegal, happens with the approval of the customs authorities. According to private industry, national production has been severely hit in the past two years by the increase in technical contraband. Technical contraband enters the country "legally" through customs with import documents that contain false information to avoid paying import duties. (Source: *Reforma*, 7/29/03)

CUSTOMS AUTHORITIES WILL IMPEDE SMUGGLED APPAREL

In the next few weeks, the General Customs Directorate (GCD) will undertake more legal action against big supermarket and departmental chains and importers of smuggled apparel through the program ValuaNet. This program will check the origin of apparel imports to assure that the goods are made in China, not Hong Kong which evades the payment of 533 percent of compensatory import tariffs. The GCD is waiting for the Senate to approve some legal reforms that will consider smuggling as organized crime with severe penal sanctions. (Source: *Milenio*, 8/4/03)

58 PERCENT OF MEXICO'S APPAREL CONSUMPTION IS OF ILLEGAL ORIGIN

According to the National Apparel Industry Chamber (CNIV), 58 percent of clothing purchased in Mexico is supplied by illegal sources, while the domestic clothing production provides 20 percent. CNIV indicates that the majority of finished garment imports coming from the United States are transshipments (or technical smuggling) from other countries at low cost, mainly from China. CNIV pointed out that according to U.S. trade data, the United States imports of Chinese products have increased sharply, which is damaging Mexico. (Source: *La Jornada*, 8/1/03)

GREENPEACE ALERT

Greenpeace trade campaign coordinator, Marcelo Furtado, said the United States will take advantage of the next World Trade Organization ministerial meeting to solve their legal suit against the European Union to lift the restrictions on the use of transgenics. He said that during the WTO Ministerial in Cancun, the U.S. would seek to block agreements already signed in Kyoto on climate change and in Cartagena on bio-security. (Source: *La Jornada*, 8/04/03)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

Number	Title	Date
MX3100	Hot Bites Issue #37	7/29/03
MX3101	FAIRS Country Report	7/30/03
MX3102	Mexico Announces Final Standard on New Sawn Lumber (NOM-016-SEMARNAT-2003)	8/4/03
MX3103	Mexico Bans Imports of Horses	8/5/03

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To reach us at FAS/Mexico City:

AqMexico@usda.gov and/or ATOMexico@usda.gov