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Cheap imports force fertilizer company to cease operations

Agromex, Mexico's last remaining manufacturer of nitrogen-based fertilizer, shut down all operations in late August, citing a lack of support from the Mexican government to compete against cheaper imports. The company, a subsidiary of financially troubled Grupo Acerero del Norte (GAN), has closed plants in Chihuahua, Guanajuato, and Veracruz states this year because of high operating costs.

Agromex finance director Robert Chandler said the loss of Agromex will reduce competition in the fertilizer market and will ultimately increase costs. "When domestic production disappears, as is happening now, the country becomes vulnerable," Chandler told the weekly business newspaper El Financiero International. "We will be at the mercy of importers." In September 1998, Agromex asked the Secretaria de Comercio y Fomento Industrial (SECOFI) to investigate low-cost urea imports, particularly from Russia.

In its anti-dumping petition, Agromex said imports from Russia, the US, and other countries were priced at about US$80 to US$100 per metric ton, compared with domestic production costs of US $135 per MT. In December 1998, SECOFI agreed to conduct the anti-dumping investigation against Russian imports. But after completing the initial phases of the study in September, SECOFI said there was not sufficient evidence to impose countervailing duties on Russian and US urea imports.

Alva Senzek, a trade columnist for El Financiero International, said a major problem for SECOFI is the lack of information on whether the Russian urea actually originates in that country or is imported from Byelorussia. Senzek said SECOFI may well decide to impose countervailing duties once it obtains more accurate data. But an Agromex official said any subsequent decision to impose duties would not help the company, which has already decided to cease operations. "By the time they get things in order, it may be too late for thousands of workers involved, as well as for the investors who...bought our government's fertilizer company a decade ago," said Senzek.

Agromex had also appealed to state-run oil company PEMEX to reduce prices charged for ammonia and natural gas, both key ingredients in the production of urea. Lower prices for these products would have allowed the company to reduce its operating costs and continue operations, Agromex said. But PEMEX spokespersons told Agromex officials that it could not unilaterally lower prices for ammonia and natural gas, since prices are determined by a multi-agency committee headed by the Secretaria de Hacienda y Credito Publico (SHCP).

Agromex officials said they considered acquiring ammonia from suppliers overseas, but this was not viable because of the 10% import tariff levied on the product. The closure of the Agromex plant in Pajaritos, Veracruz state, is bound to have a dramatic negative impact on PEMEX's Cosoleacaque petrochemical plant in Veracruz, which has depended on Agromex for about 40% of its business.

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The loss of sales to Agromex could force PEMEX to seek to boost its ammonia exports to the US and other countries, PEMEX spokespersons said.

Mexican liquor industry fighting copyright violations

Mexican spirits manufacturers are engaged in disputes over copyrights for their products in the US, Russia, and other countries. In Russia, Mexican brewer Grupo Modelo has challenged the right of local beer manufacturer Rosar to use the brand name Corona on one of its products. Rosar's version of Corona has been sold in the Russian market since 1996, three years after Modelo began exporting its Corona Extra brand to Russia.

The Modelo complaint, scheduled for a hearing in a Russian court in late September, alleges that Rosar stole the Corona name to capitalize on the growing popularity of Corona Extra in the Russian market. "The company's lawyers have notified the Russian government about the irregularity, and the next step is to take it to court for a ruling on the pirating case," said Graciela Reynoso, a spokeswoman for Eurocermex, Grupo Modelo's subsidiary in Europe. Reynoso said Modelo expects a favorable ruling in Russia, similar to one the company obtained in a French court. In another copyright violation involving the Mexican liquor industry, the Consejo Regulador del Tequila (CRT) has asked US bottler McCormick Distilleries to stop producing colored tequilas.

McCormick, based in Missouri, has been marketing a pink, strawberry-flavored tequila under the name of Rose. In an interview with Reuters news service, CRT director Ramon Gonzalez said McCormick may be in violation of an agreement the company signed with its Mexican supplier Orendain not to alter tequila's natural clear, gold or brown color with dyes or flavors. Gonzalez said CRT officials plan to meet with McCormick executives to ask the company to stop marketing the altered tequila.

The CRT monitors the purity of tequila exports to the US and the EU on behalf of five Mexican tequila exporters. CRT officials said they are also monitoring three other US cases involving alterations to Mexican tequila. The first case involves marketing a blue-colored tequila called Gecko Blue. The CRT has yet to decide whether to formally request the product's manufacturer, New York-based HEPS Wine and Spirits, to stop producing the blue-colored tequila.

Similarly, the CRT is concerned about two hybrid products: a tequila-beer mixture sold in the US under the name Tequiza, and a tequila-grapefruit mix sold in a can. But CRT president Javier Arroyo said the council does not have sufficient power to regulate the hybrid products in Mexico or overseas because of a lack of rules on how to certify the purity of these tequila mixtures.

Complaint filed about Brazilian transformer imports

Mexico's Camara Nacional de Manufacturas Electricas (CANAME) and three Mexican-based companies have requested an anti-dumping investigation into imports of electrical transformers from Brazil. In a complaint filed with SECOFI, CANAME and private companies IEM, Prolec, and Ferranti-Packard de Mexico said Brazilian transformers used in the Pidiregas power project in northwest Mexico are being shipped into Mexico at below cost. The Pidiregas power project is expected to supply electricity to 14 substations in Baja California, Sonora, and Sinaloa. The petitioners allege that Elecnor, which won the concession for the Pidiregas project, has imported transformers from two Brazilian companies at below their cost of manufacture. The cost of the imported transformers is estimated at US$12 to US$13 million. The two Brazilian companies named

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in the complaint are Coemsa Ansaldo y Trafo Equipamentos Electricos. But CANAME and the three companies are invoking a public-acquisitions law (Ley de Adquisiciones y Obras Publicas), which would obligate Elecnor to pay any anti-dumping fees.

This is not the first time Mexican companies have complained about importing Brazilian transformers at below cost. In 1992, SECOFI imposed countervailing duties against imports of Brazilian transformers following a complaint by Mexican companies. CANAME has asked SECOFI to consider this precedent when making a determination in the current case. The dispute is not expected to affect ongoing negotiations between the Mexican and Brazilian governments to restore a limited trade agreement. The new agreement seeks to restore some tariff preferences negotiated in 1995, but scrapped two years later. Mexico and Brazil initiated discussions on ground rules for negotiations in July of this year (see SourceMex, 1999-07-28).

In mid-September, Eduardo Solis, SECOFI's director of Latin American negotiations, said the two sides have already held initial discussions on rules of origin, dispute-resolution mechanisms, market access, Mexico's maquiladora industry, and Brazil's free-trade zone in Manaos. Solis said Brazil would like to ensure protection for key manufacturing industries such as the automotive, chemical, and electronics sectors. "We are still in an exploratory phase in which the two governments are taking inventory of our productive sectors and considering all possibilities," Solis told El Economista. "We are also aware that this is a transitional accord that could be incorporated in a future agreement between Mexico and the Southern Cone Common Market (MERCOSUR)." [Sources: Excelsior, 12/14/98; Reuters, 12/13/98, 08/17/99, 09/08/99; The News, 09/09/99; Associated Press, 09/11/99; El Financiero International, 09/13/99; Notimex, 09/19/99; El Economista, 09/13/99, 09/14/99, 09/17/99, 09/20/99; El Universal, 11/05/98, 09/20/99, 09/22/99]

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