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Mexico Responds to U.S. Hurricane Katrina

by LADB Staff

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In one of the first tests of Mexico's new policies on international engagement by its armed forces, President Vicente Fox's administration has dispatched an Army convoy and a Navy ship to the US Gulf Coast to assist with relief efforts in the aftermath of Hurricane Katrina, which hit the coasts of southeastern Louisiana and Mississippi in early September.

The Fox government justified its decision to use members of the Mexican armed forces for the relief operations because the Senate voted earlier this year to amend Article 76 of the Mexican Constitution allowing the president to commit troops to international combat and noncombat missions (see SourceMex, 2005-03-02).

Senators from the opposition Partido Revolucionario Institucional (PRI) and Partido de la Revolucion Democratica (PRD) criticized Fox for not consulting with the upper house before deciding to send the armed forces on an overseas mission. Sens. Manuel Bartlett Diaz and David Jimenez of the PRI and Jesus Ortega of the PRD noted that the amendment has yet to be ratified by the Chamber of Deputies and said Fox therefore could not yet claim the constitutional right to make such a decision.

The opposition senators also questioned Fox's decision to delay the request for Senate approval until after the aid was on its way. After much debate, however, the full Senate ultimately voted to support the deployment of Mexican soldiers to help with the US relief operations.

While the Fox government and subsequent administrations will face few difficulties in obtaining Senate approval for humanitarian operations, such may not be the case for strictly military operations.

During testimony before the Senate in mid-September, Foreign Relations Secretary Luis Ernesto Derbez acknowledged that Mexico was considering participating in joint maneuvers with the US armed forces related to "the defense and the security of the region." Senators suggested that the administration would have difficulty obtaining permission to participate in such maneuvers.

Mexican assistance underutilized

As part of their mission, the Mexican soldiers brought 47 trailer trucks loaded with water-treatment equipment, mobile kitchens, generators, communications equipment, and other items to refugees from the Gulf Coast states who fled to San Antonio and other parts of south Texas.

Some critics said the US government failed to take full advantage of the expertise of the Mexican soldiers. "Because both of Mexico's long coastlines are more hurricane-prone than our own, it has
developed valuable expertise in dealing with the consequences of hurricanes," said Carlos Guerra, a columnist for the San Antonio Express-News.

Guerra said the Mexican contingent included teams specialized in disaster medicine that should have been dispatched to assist in Mississippi and Louisiana, where the hurricane struck. "The Mexicans also brought the capacity to provide two basic necessities that often vanish after disasters: hot food and drinking water," which Guerra said would have been more valuable in Louisiana and Mississippi than in San Antonio.

There were also some complaints that the soldiers were subjected to excessive US government restrictions. "Once the convoy reached US territory, it was immediately harassed, first by immigration authorities, then by customs personnel, and finally by health officials," said Antonio De Mendieta, a columnist for the Monterrey-based newspaper El Porvenir. "What was most ridiculous was they prevented the delivery of food to refugees on the pretext that the soldiers had not washed their hands."

The Mexican Navy also participated in hurricane recovery, with the ship Papaloapan traveling to Biloxi, Mississippi, to help with clean-up operations. The ship also carried 250 metric tons of food, water, and medicines for hurricane victims along the Mississippi Gulf Coast. Sailors from the Papaloapan, along with counterparts from the Dutch ship Van Amstel, also helped remove debris and tree limbs. The Mexican sailors complained that their mission should have included more than shifting rubble and distributing food. "We would have liked them to let us help more," Lt. Jose Luis Cruz told the Associated Press.

Still, the Mexican government's offer of disaster assistance to the US was somewhat of a reversal of roles, as Mexico has frequently been on the receiving end of such aid. "The friendship between Mexico and the US clearly calls for our solidarity," said Juan Bosco Marti, director general of North American affairs at the Secretaria de Relaciones Exteriores (SRE).

The Fox government and the private sector are also attempting to assist the nearly 140,000 Mexicans thought to be in the areas of Louisiana, Mississippi, Alabama, and Florida who were affected by the hurricane. One of the main actions by the Mexican government was establishing special consulates throughout the region to help Mexican nationals with paperwork and basic necessities. About 300 Mexican nationals were missing in the affected region as of early September, the SRE said.

Mexican flagship airline Aeromexico has offered to fly Mexicans home for free from hurricane-damaged areas in the four-state region. "Hurricane Katrina's effects have been felt across so many communities, including those of Mexicans living and working in the United States," said Jose Kuri, senior vice president of Aeromexico's US division. "It is our responsibility to step forward and support the Mexican community in times like these when they need us the most."

**Hurricane affects Mexican oil industry**

The damage from Katrina is also expected to have negative repercussions for Latin American economies, including Mexico's. One immediate effect was the closure of the Port of New Orleans,
which has caused major delays in shipments to and from ports in Mexico and other countries in Latin America. The port closure, for example, blocked shipments of coffee into New Orleans from Central America (see NotiCen, 2005-09-15).

The immediate concern is the disabling of facilities near the mouth of the Mississippi River and along the Gulf Coast that were designed to receive crude oil from PEMEX and other international oil companies. Katrina paralyzed almost all the refining capacity of 2 million barrels per day in the Gulf Coast area, said the International Energy Agency (IEA). The region accounts for about 12.5% of the total US refining capacity. PEMEX shipments of crude oil to refineries in Louisiana and Mississippi, which total about 230,000 bpd, were suspended until at least late September, said the US consulting company PFC Energy.

PEMEX officials said Chevron's refinery in Pascagoula, Mississippi, cancelled a contract to purchase 3 million barrels of heavy crude (Maya) because of damage to its facilities. Other refineries that normally purchase Mexican crude are operated by ExxonMobil in Baton Rouge, Marathon Oil in Garyville, and Valero Oil in St. Charles, all in Louisiana.

The inability of PEMEX to ship crude oil to US refineries forced the state-run oil company to offer millions of barrels of crude at a discount on European markets, several operators in London told the Reuters news agency. The idling of US refinery capacity in the aftermath of Katrina severely tightened US supplies and forced an increase in US and global prices. This prompted Canada, Japan, and several European countries to tap strategic reserves or divert shipments to the US to help bring prices down.

Mexico, however, did not participate in this effort because its own supplies of refined gasoline are already very tight. "Our own production of hydrocarbons is already at capacity," said Energy Secretary Fernando Elizondo. Mexico's tight gasoline inventory is caused in part by its inability to refine its own crude oil. A large percentage of the gasoline consumed in Mexico is imported from the US because Mexico lacks sufficient refinery capacity (see SourceMex, 1998-10-14 and 2002-07-31).

Mexico is attempting to partially resolve the problem by expanding capacity at a refinery in Veracruz state (see SourceMex, 2003-05-21). Shipments of other goods also disrupted The hurricane damage has also disrupted shipments by Mexican brewer Grupo Modelo from the port of Coatzacoalcos to New Orleans. The two ports are linked by a rail-ferry service, which allows companies such as Modelo to ship boxcars loaded with their product over water to New Orleans, where they are unloaded and whisked to their destinations by rail. "The rail-water service requires special infrastructure that can't be quickly replicated in other ports," Gilberto Rios, director general of the port of Coatzacoalcos told the Los Angeles Times.

Rios said Modelo and exporters of petrochemicals and metal products have been forced to ship their products over land by rail to the US, adding time and cost to the process. Some analysts said the economic cost of the hurricane on the US could exceed US$200 billion. The Mexican economy, tied very closely to the US economy, is expected to feel an impact, in much the same way as it did from the attacks on New York and Washington on Sept. 11, 2001 (see SourceMex, 2001-09-26).
In an analysis published in early September, Grupo Financiero BBVA-Bancomer projected that the Mexican manufacturing sector will only grow 2.2% in 2005, partly as a result of a hurricane-weakened US economy. In contrast, Mexican manufacturing activity grew 3.8% in 2004. Some business organizations are pushing the Fox government to take immediate actions to compensate for the lost exports as a result of the hurricane.

Leon Halkin Binder, president of the Confederacion de Camaras Industriales (CONCAMIN), said a coalition of business chambers is also developing a set of proposals to present to the administration. "We have created a committee to develop realistic and concrete proposals," said Halkin, who also expressed concern about the negative impact that the surge in energy prices would have on many industrial sectors in Mexico.

**Mexican cement industry to benefit from reconstruction**

Some Mexican industrial sectors, such as cement, are expected to benefit from the post-hurricane recovery efforts, as reconstruction projects go into high gear along the Gulf Coast. The US cement industry is only able to satisfy about 75% of the demand in the US, which could force US President George W. Bush’s administration to suspend or eliminate an import tariff currently in place on Mexican cement. The tariff has been a source of contention between the two countries for many years.

In 2003, Mexico filed a complaint with the World Trade Organization (WTO), accusing the US of unfair trade practices (see SourceMex, 2003-02-12). Kenneth Smith, a trade official at the Secretaria de Economia (SE), said the Mexican government is attempting to end the US tariff through bilateral talks with the US government, as well as through the WTO and the North American Free Trade Agreement (NAFTA). "Given the need for cement in the US and the progress of several litigations against the US restrictions, it is possible that the two governments might reach an agreement that would open the borders to Mexican cement," said Smith.

The Bush administration, however, remained noncommittal about lifting any tariffs on Mexican cement and Canadian lumber to help meet the increased demand resulting from post-hurricane construction activity. "The government has the authority to adjust the tariffs in an emergency situation, but no determination has been made yet," said Tony Fratto, a spokesperson for the US Treasury Department. Industry sources say Mexican giant CEMEX is already well-positioned in the US market to take advantage of increased demand along the Gulf Coast.

In July, CEMEX formalized a partnership with US concrete manufacturer Ready Mix that would allow the two companies to coordinate activities at their facilities in the southeastern US. CEMEX owns facilities in Alabama, Georgia, and the Florida Panhandle, while Ready Mix has operations in the same regions, as well as Tennessee, Arkansas, and Mississippi. [Sources: The Globe and Mail (Toronto), 09/03/05; The New York Times, 09/06/05; El Financiero, Los Angeles Times, 09/07/05; El Universal, 09/01/05, 09/02/05, 09/06-08/05; La Cronica de Hoy, 09/01/05, 09/07/05, 09/08/05; The Chicago Tribune, Infosel Financiero, 09/08/05; The San Antonio Express-News, 09/11/05; Notimex, 09/06/05, 09/10-12/05; Associated Press, 09/06/05, 09/08-10/05, 09/12/05; El Sol de Zacatecas, El Porvenir, Noticiero Televisa, Reuters, Agencia de noticias Proceso, 09/12/05; The Herald-Mexico

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City, 09/05/05, 09/07/05, 09/13/05; La Crisis, 09/06-08/05, 09/13/05; La Jornada, 09/07/05, 09/08/05, 09/13/05, Washington Post, 09/15/05]

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