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Mexican Candidate Loses Election to Head World Trade Organization to Brazilian Rival

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President Enrique Peña Nieto was hoping that strong support from the US, the European Union (EU), and Japan would be sufficient to elect Mexico’s Herminio Blanco as director of the World Trade Organization (WTO). But the vote from those countries—which comprise the majority of the members of the Group of Eight (G8) nations—did not give Mexico’s former trade secretary enough votes to overcome the strong backing that Brazil’s Roberto Azevêdo received from African countries and members of the five-nation bloc of emerging economies (BRICS), which include Azevêdo’s home country of Brazil, plus Russia, India, China, and South Africa.

While a breakdown of the voting was not public, sources close to the process said they were not surprised by Azevêdo’s strong support outside the G8 nations. Brazil has made a major effort to expand its trade relations with China and sub-Saharan Africa. Additionally, Azevêdo has been an insider at the WTO, having served as Brazil’s ambassador to the WTO since 2008, at a time when Blanco worked as head of the private consulting firm IQOM Inteligencia Comercial.

China, BRICS bloc strongly supported Brazil

Pascal Beltrán del Río, a columnist for the Mexico City daily newspaper Excélsior, said Brazil and China have been cultivating a close working relationship for at least a decade, particularly with the election of former President Luiz Inácio Lula da Silva (2003-2010) and his Partido dos Trabalhadores (PT) in 2002. "The South American country has become an indispensable provider of agricultural products such as soybeans to China, obtaining US$20 billion in revenues a year," said Beltrán del Río. "China has now surpassed the US as the principal destination of Brazil’s exports."

"But it's not just [trade]," said Beltrán del Río. "The visions of foreign relations between Beijing and Brasilia have been very much in sync since the PT came to power. Both countries believe in a multifaceted world and favor the decisions by multilateral institutions in international affairs. They were both active promoters of the BRICS bloc."

Mexico’s relations with China have been more uneven. There is strong suspicion in Mexico about China’s intentions in Latin America, as evidenced by the difficulties that the Chinese-backed Dragon Mart project in Quintana Roo has faced in gaining approval (SourceMex, Jan. 16, 2013, and May 1, 2013).

"China does not enjoy the same good image in Mexico that it has in other Latin American countries like Brazil," said Beltrán del Río. "The huge trade imbalance, which favors China by a ratio of 10-to-1, has damaged many industrial sectors in our country, from pencils to steel. A public-opinion poll by the [British television network] BBC in 2011 indicated that only 23% of Mexicans had a favorable opinion of China."

While relations between Mexico and China are not necessarily strained, the two sides see an opportunity to expand commercial and economic connections. Chinese President Xi Jinping visited...
Mexico in early June in an attempt to strengthen economic links, particularly trade. In a recent interview with Excélsior, Xi said the primary goal of his visit would be to "explore the potential of our bilateral trade, expand the volume of overall trade, optimize its structure, and create a more even trade balance."

**Mexico seeks to strengthen relations with China**

After hosting Xi, Mexico sent a delegation to China in mid-June, led by Agriculture Secretary Enrique Martínez, to follow up on Chinese commitments to boost imports of Mexican agricultural products. Martínez said Xi’s visit to Mexico and the bilateral meetings in Beijing brought favorable results. "For many years, we had sought to boost our trade with China, which is a powerful country with a market of more than 1.3 billion inhabitants," said the Mexican agriculture secretary. "The population has a rapidly growing purchasing power. This is a country that has experienced economic growth of 7.8% annually and is a glowing example of development."

As a result of the two meetings, China and Mexico entered into working agreements that would expand exports of Mexican tequila, mangos, berries, beef, pork, and nuts. The agreement on tequila is important because Mexico was seeking to expand exports of tequila to China’s growing middle class, but Chinese restrictions had prevented any increased sales. China prohibited imports of tequila produced with 100% agave because the spirit contains levels of methanol that are higher than allowed by Chinese health laws.

"We told our Chinese counterparts that it was difficult for us to understand the reasons a norm was in place that severely restricted imports of tequila manufactured with 100% agave," Martínez said in an interview with Excélsior. "We were able to demonstrate that [tequila] does not pose a danger to human health, and we backed this up by pointing to our own research and our own health norms. As a result, China now has a more positive view of tequila produced with 100% agave."

Another product under dispute is Mexican pork, which China had also restricted for health reasons. After reviewing inspection standards in Mexico, China agreed to authorize four Mexican plants to ship pork to China, and that number "should increase soon," said officials at the la Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación (SAGARPA).

Martínez was accompanied on his trip by representatives of the pork and tequila industries, but he also brought along officials from other agricultural sectors, including beef, avocados, fruit, fisheries, and wines.

"Even though Mexico exported about US$111 million worth of agricultural products to China last year, we are looking forward to seeing what happens in the next two or three years," said the Mexican agriculture secretary.

"What is important is that we have a green light," said Martínez, who noted that the Mexican delegation has been in contact with the association of retailers and supermarkets in China. "They are the ones who buy agricultural products and food items on the international market."

**President Peña Nieto supports G8 Tax-Reform Initiative**

While Mexico is moving forward with efforts to improve trade relations with China, the Peña Nieto government is also cementing its traditional economic ties to the EU. Mexico signed a free-trade agreement with the European bloc in 1999 (SourceMex, Dec. 1, 1999, and May 15, 2002).

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The Mexican president took advantage of his invitation to attend the G8 summit in Belfast, Northern Ireland, to enter into discussions with members of the bloc about two areas that are important to the Mexican president: tax reform and energy reform.

It was no coincidence that fiscal matters were one of the principal topics on the table at the G8 meeting. Leaders of the eight wealthy nations took steps to crack down on tax evasion by entering into an agreement to exchange financial information and to expose companies that create elaborate structures to hide their profits.

"The agreement was one of the clearest indications yet of growing momentum behind a global crackdown on tax evasion and avoidance amid criticism that corporations such as Apple and Google, as well as wealthy individuals, have exploited loopholes or gone to great legal lengths to avoid paying their fair share," said the Los Angeles Times.

But the agreement was not exclusive to the G8 members, with countries like Mexico also playing an important role in preventing tax evasion. Peña Nieto wasted no time in announcing that Mexico would also adhere to the agreement. "This was a way to present information about the pending reforms on taxes and the fiscal system," said Excélsior columnist Yuriria Sierra.

"The G8 reforms state that those who have more will pay more, and Mexico’s presence at the summit provides a hint that this is what Peña Nieto is thinking," added Sierra.

Peña Nieto also used the summit to consult with European counterparts about their tax systems, which could serve as a model for comprehensive tax reform in Mexico this year. "México could implement a simple tax system equal to those in place in European countries, where a large emphasis is placed on the value-added tax (impuesto al valor agregado, IVA), but where medicines and basic food items are exempt," said Excélsior financial columnist José Yuste. "Remember that many countries in Europe, from Britain to Spain, have opted for an IVA of 21%.

Peña Nieto also took the opportunity during his trip to Europe to discuss possibilities for energy reform. In comments to reporters in London on the day before the G8 summit, the Mexican president offered proposals ranging from awarding contracts to private companies to explore and extract oil from the deep waters of the Gulf of Mexico to a plan to develop deposits of shale gas.

"It’s obvious that PEMEX doesn’t have the financial capacity to be in every single front of energy generation," said Peña Nieto. "Shale gas is one of the areas where there’s room for private companies, but not the only one."

But even with the easing of restrictions on private foreign participation in the Mexican energy sector, some observers suggested that Mexico might have difficulty convincing investors that any changes are imminent. "Investors became more skeptical about the depth of the energy reform after it wasn’t included in the schedule for special congressional sessions in July and August, leaving it for the final four months of the year along with a crowded agenda that includes the tax overhaul and next year’s budget," said Bloomberg news service.

The Mexican president also entered into individual agreements with some of the G8 members. For example, Mexico and Britain signed an agreement that would double trade between the two nations by 2015. Under the agreement, Mexico’s Banco Nacional de Comercio Exterior (BANCOMEXT) and Britain’s Export Credits Guarantee Department (ECGD) would boost credits for small and medium-
sized businesses in the two countries to expand exports. Administration sources said the agreement could potentially double bilateral trade, which stands at about US$5 billion.

**Mexican, Spanish legislators hold summit**

While most of the international spotlight was on the executive branch, some representatives of the Mexican Congress also entered into cooperative agreements with counterparts in Spain’s parliament. At the 12th Mexico-Spain Interparliamentary Meeting in Madrid in June, legislators from the two countries announced their intention to exchange information and take other cooperative actions on immigration-related issues.

The topic took center stage at the meeting, as there are now 19,000 Spaniards in Mexico and 16,000 Mexicans in Spain. The number of Spaniards emigrating to Mexico and other Latin American countries has increased in recent years because of the economic crisis in Spain.

"We talked about how Spain is the third-largest destination country for immigrants in the world, and it is in our best interest that the Mexicans who arrive here to look for work and to invest generally succeed," said Deputy Gabriela Cuevas, a member of the center-right Partido Acción Nacional (PAN) and one of 20 members of the Chamber of Deputies and Senate who traveled to the Iberian country for the summit. Spain was represented by 17 legislators.

Legislators also formed working groups that focused on economics, security and defense, and educational and cultural cooperation. "The best way to deal with difficulties is to do so among good friends," Spanish Chamber of Deputies president Jesús Posada said, referring to "the great challenge of the economic crisis" that "has especially hit Spain."

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