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## FEATURED Q&A

# Will Mexico and the U.S. Strike a Deal Over Sugar?



Mexico and the United States could soon reach a deal over sugar, Mexican Economy Minister Ildefonso Guajardo said last week. // File Photo: Carl Davies, CSIRO.

**Q** The Mexican and U.S. governments agreed this month to extend a deadline for talks on Mexican sugar exports into the United States until June 5. The U.S. sugar industry has long argued that cheap sugar from Mexico is hurting their business. Mexico's economy ministry, however, has blamed the impasse on "excessive demands" from U.S. sugar producers and refiners. What is at the root of the countries' dispute over sugar? How likely are the two sides to reach a deal by June 5, and what will happen if they do not? What does the dispute foreshadow about other trade negotiations between the two countries, such as the expected talks over the North American Free Trade Agreement, or NAFTA?

**A** Andrew Rudman, managing director at ManattJones Global Strategies: "This is the latest chapter in the long-running sweetener dispute between the United States and Mexico. At its core is a history of protection for sugar producers on both sides of the border and the United States' global sugar quota system, which creates tensions with all sugar-producing countries including Mexico despite the signing of a side letter on the margins of the original NAFTA negotiation. Regardless of which side is 'right,' with respect to the causes for the failure of the suspension agreement, a failure to resolve the dispute will lead to the imposition of punitive duties on Mexican sugar by the Commerce Department and likely retaliation by Mexico on imports of U.S. - produced high-fructose corn syrup. Commercial and individual consumers in both markets will pay the cost. But what the dispute signals

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## TODAY'S NEWS

### POLITICAL

## Brazil's Temer Eyes Asking Court to Halt Graft Probe

Brazilian President Michel Temer said he will ask the country's Supreme Court to suspend its probe into allegations that he was involved in a sprawling corruption scheme.

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### POLITICAL

## Colombia's Envoy to U.S. Resigns Ahead of Possible Presidential Run

Juan Carlos Pinzón stepped down just before the deadline for possible presidential candidates to resign their government positions.

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### ECONOMIC

## German Foreign Minister Lauds NAFTA in Visit to Mexico City

German Foreign Minister Sigmar Gabriel told reporters in the Mexican capital that the trade accord, due to be renegotiated, has benefited Mexico, Canada and the United States.

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Gabriel // File Photo: Arne Müsseler via Creative Commons.

## POLITICAL NEWS

## Brazil's Temer Vows to Remain in Office Amid Graft Claims

Brazilian President Michel Temer deflected calls for his resignation on Saturday in a nationally televised speech, saying he would ask the Supreme Court to suspend its investigation into allegations he was involved in a giant corruption scheme, *The Wall Street Journal* reported. "I will not give up; oust me if you want," Temer told newspaper *Folha de S.Paulo* Sunday in an interview. Temer says an audio tape that appears to reveal him conspiring over hush money and bribes with Joesley Batista, the head of meatpacking company JBS, had been doctored. Temer, 76, also said he was "naïve" to meet with Batista. Largely peaceful protests calling for Temer's ouster occurred in cities across Brazil on Sunday, but they were smaller than protests last year that helped keep up pressure on politicians to remove President Dilma Rousseff from office, Reuters reported. Late Saturday, the influential Brazilian Bar

Association, known as the OAB, said it would join the ranks of those filing impeachment motions against Temer in Congress, arguing Temer showed a dereliction of presidential duties to uphold the law. Meanwhile, important allies in Temer's governing coalition, the PSDB social democrats, made a last-minute decision on Sunday not to declare whether to withdraw from the coalition government. Party officials did not explain the decision not to convene. "He has won a bit of time," Gesner Oliveira, a professor at the Fundação Getulio Vargas in Rio de Janeiro, told *Agence France-Presse*.

## Man Set on Fire in Latest Violent Protests in Venezuela

A man was set on fire, suffering severe burns Saturday afternoon in one of the latest violent anti-government protests in Venezuela, Reuters reported. The incident happened in Plaza Altamira in eastern Caracas as a crowd of about 100 anti-government protesters surrounded the 21-year-old man, doused him in gasoline and set him alight. He was seen running with

## NEWS BRIEFS

## Colombia's Envoy to U.S. Quits Ahead of Deadline for Presidential Race

Colombia's ambassador to the United States, Juan Carlos Pinzón, on Friday announced he is resigning his position, *El Tiempo* reported. The former defense minister and ally of President Juan Manuel Santos needed to leave the government by May 25 if he wishes to launch a bid for the presidency, a move he has not yet confirmed. Pinzón has served 22 months in the post. Former foreign minister Camilo Reyes and current minister of commerce María Claudia Lacouture are rumored to be possible replacements, according to the report.

## Peru Posts Narrower Fiscal Surplus of 1.1%

Peru posted a fiscal surplus of 1.1 percent of gross domestic product in the first quarter, Reuters reported Friday. The figure is narrower than the 1.5 percent of GDP surplus logged a year earlier, according to the central bank. Peru's government expects a fiscal deficit equal to 2.8 percent of GDP this year, which would be its largest gap in 17 years. The economy's primary activity dropped 1.3 percent in the quarter, mainly due to the decrease in mining, state news agency Andina reported today. Emergencies caused by heavy rains have so far this year affected 1.13 million people in Peru, killing 145.

## Southwest Airlines Adding Flights to Costa Rica, Dominican Republic

Dallas-based Southwest Airlines is adding flights to Costa Rica and the Dominican Republic from Florida's Fort Lauderdale-Hollywood International Airport beginning Nov. 9, the *Miami Herald* reported Friday. A one-way ticket on Southwest to San José is currently priced as low as \$89, while one to Punta Cana is as low as \$129.

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about the expected NAFTA renegotiation is perhaps more significant. The sweetener dispute is but one example of the complementarity of the U.S. and Mexican economies. When negotiations to update the 20+ year old NAFTA commence, negotiators from all three countries should be mindful of these economic linkages and of the pressure points and sensitivities of their own economies. A negotiation necessarily requires give and take and an understanding of the other partner(s)' objectives and red lines. If governments do not achieve amicable and mutually beneficial outcomes, the current sweetener dispute (and the analogous softwood lumber dispute with Canada) will become the norm, and the attributes that make North America the world's most competitive region will be lost."

**A** **Tapen Sinha, professor of risk management at the Instituto Tecnológico Autónomo de México and professor at the University of Nottingham Business School:**

"NAFTA is at a crossroads. It has become a political football since Mr. Trump assumed the presidency. Agricultural policies have always been thorny under NAFTA. In particular, the sugar business is a minefield. We have already seen part of that movie with the problems of corn syrup a few years ago. In that, Mexico won—but only in theory. It had a clear case. The current issue is much more convoluted. With NAFTA itself in play, sugar is just the tip of the iceberg. With the current chaos in Washington, with so many vacant positions in various departments, it is hard to see how this will get resolved by June 5.

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flames on his back and was hospitalized with severe burns. Witnesses said the man was attacked when the crowd accused him of being a thief, but the incident drew the attention of President Nicolás Maduro who said he was attacked because he was a government



Díaz // File Photo: Venezuelan Government.

supporter. “A person was set on fire, beaten up, stabbed ... They nearly lynched him, just because he shouted out that he was a Chavista,” said Maduro, referring to the socialist movement launched by his late predecessor, Hugo Chávez. At least 47 people have been killed in nearly two months of repeated, violent protests in the Andean nation, where Maduro’s opponents say he and Chávez have wrecked the economy over years of mismanagement. Maduro, however, says Venezuela’s economic crisis is due to sabotage by his opponents, including business people, the right-wing and the United States. Maduro has pushed to fix the country’s crisis by convening a special assembly to rewrite the country’s Constitution, a move that the opposition has rejected. On Friday, Luisa Ortega Díaz, Venezuela’s chief prosecutor and a longtime government loyalist, said in a letter that she also will not support the move.

## ECONOMIC NEWS

### German Foreign Minister Voices Support for NAFTA

During a visit to Mexico on Friday, Germany’s foreign minister voiced support for the North American Free Trade Agreement, saying it has brought benefits to all three signatory countries, Reuters reported. “In our view NAFTA is

an agreement that doesn’t just serve Canada and Mexico, but also the United States,” Sigmar Gabriel told reporters in Mexico City, alongside his Mexican counterpart, Luis Videgaray. “So we’re trying, also via our visits to the United States, to make clear that a fair agreement

isn’t just in the interests of German companies, but also the United States of America.” Gabriel visited Mexico after a stop in Washington earlier in the week. His statements came ahead of a renegotiation of NAFTA that U.S. President Donald Trump initiated.

## HEALTH NEWS

### Brazil Declares End to Zika Public Health Emergency

Brazil on May 12 declared an end to its 18-month public health emergency over the Zika virus, the Associated Press reported. The Health Ministry said efforts to control the type of mosquitoes that spread Zika would continue, as would assistance to affected families. Infection during pregnancy has been linked to birth defects, including microcephaly, in which a baby’s skull is smaller than normal. Affected infants can suffer major developmental problems throughout their lives. From January to mid-April, the Health Ministry recorded 95 percent fewer cases than during the same period last year, according to the report. Brazil was at the center of international media attention when the outbreak caused some Olympic athletes and tourists to cancel plans to visit the South American country. Health advocates note that caring for patients afflicted with microcephaly can cost in the hundreds of thousands if not millions of dollars over their lifetimes, a strain on public health systems already facing budget cuts. [Editor’s note: See related [Q&A](#) in the Jan. 27 issue of the Advisor.]

### Healthy Lifestyle Campaign Launched in Bogotá

The Consumer Goods Forum, a business group of international manufacturers and retailers, said May 11 that it has launched a new pilot program in Colombia’s capital. The effort aims to provide consumers in Bogotá with education on nutrition and physical activity. The program, which is supported by companies such as Alqueria, Cencosud, Femsa, Grupo Bimbo, Grupo Éxito, Kellogg’s, Nestlé, PepsiCo and The Coca-Cola Company, will run across eight stores in the capital district. GFC, which recently formed a Latin America Board and opened its Latin America office in Bogotá, said it plans to address a growing problem of malnutrition and obesity in the region. According to Nielsen’s 2015 Global Health and Wellness Report, as cited by CGF, 34 million people go hungry in Latin America. At the same time, 59 percent of the region’s population is obese, and 54 percent think they are overweight.

### Jamaican Health Minister Urges Action to Fight Non-Communicable Diseases

Jamaican Health Minister Christopher Tufton on Sunday called on countries of the Caribbean to be more aggressive in implementing action plans to address non-communicable diseases, the Jamaica Gleaner reported. Speaking at the Commonwealth Health Ministers meeting in Geneva, Tufton noted that 77 percent of deaths in the region result from diseases caused by lifestyle, with 40 percent of those deaths occurring between 30 and 69 years of age. Jamaica and Barbados have achieved seven of the 10 World Health Organization targets on non-communicable diseases, while more than half of the other countries have reached three or fewer of the targets, with Haiti yet to achieve any.

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A one-page memo of bullet points will not resolve the dispute; it will drag on. However, unless Trump regime actually does something different, the status quo will prevail. In other words, we will see business as usual. In a year's time, it is entirely possible that Mexico will get a more left-wing president who would also declare war on NAFTA. If that happens, it is hard to see anybody winning from the outcome."

**A** **Wolfram F. Schaffler Gonzalez,** director of the Texas Center for Border Economic and Enterprise Development at Texas A&M

**International University:** "The demand and consumption of sugar and fructose-rich products in Mexico and the United States is of such a complexity and volume that it will necessarily require an amicable agreement as the final outcome of the renegotiation process. If this cannot be achieved before June 5, it could very well spill over into NAFTA, making the renegotiating more difficult. Both countries argue that the other subsidizes their respective industries; the United States since 1789 by providing loans, trade support and protection; and Mexico since 2011 by reducing the price of raw sugar to less than 20 cents per pound, or 40 percent below market prices. Meanwhile, Mexican high-demand buyers of U.S. fructose (mainly soft drink and candy producers) expect a reduction of up to 10 percent of local production prices if the Mexican government re-

sorts to retaliate to unfair new U.S. policies with a high tariff for fructose imports. If this happens, it will hurt U.S. exports to Mexico of 1.3 million tons of corn fructose a year, which for logistical reasons would be very

“ If current patterns of consumption of sugary foods and drinks continue, an agreement will have to be made.”

— Wolfram F. Schaffler Gonzalez

difficult to export to other countries. Producers, buyers and both governments have their own arguments, but the reality is that if current patterns of consumption of sugary foods and drinks continue, an agreement will have to be made. According to a study published by The Lancet in 2014, the United States has the second-highest prevalence of obesity, and Mexico is in sixth place. One of the reasons for those dangerous statistics is precisely the elevated consumption of sugary products of this nature, something that is not expected to change in the near future."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gene.kuleta@thedialogue.org](mailto:gene.kuleta@thedialogue.org).*

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