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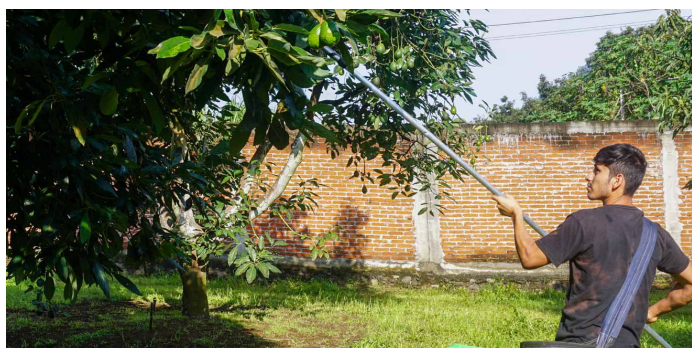
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## FEATURED Q&A

# How Much Are Gangs Harming U.S.-Mexico Trade?



The United States temporarily halted avocado imports from Mexico this month because of threats made to a U.S. inspector. An avocado farm in Mexico's Michoacán state is pictured. // File Photo: Mexican Government.

**Q The United States on Feb. 18 resumed imports of avocados from Mexico after a brief suspension that followed a verbal threat made to a U.S. Department of Agriculture inspector. Michoacán, the only state in Mexico fully approved to send the fruits to the United States, has seen drug cartels extort avocado farmers, threatening them with physical violence and kidnappings. How are gangs affecting cross-border trade between Mexico and the United States? How have these risks changed in recent years, and how likely is this issue to expand to other goods? Is there a way for the security risks to be addressed without banning commodity imports?**

**A Thomas M. Fullerton Jr., professor and Trade in the Americas Chair in the Department of Economics and Finance at The University of Texas at El Paso:** "The temporary suspension of avocado imports from Michoacán caught companies in both countries by surprise. The tone-deaf initial response of President López Obrador was perplexing, but not exactly surprising. Mexico is one of only 27 countries where the U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) has stationed overseas inspectors. Having a local APHIS presence expedites agricultural exports to the United States and helps small orchards. U.S. imports of Hass variety avocados exceed \$3 billion. USDA data indicates that more than 90 percent of those imports are from Mexico. The majority of the avocados exported from Mexico are grown in Michoacán. Financial gains generated by exports have attracted both investment by and interference from organized crime in the region. Orchard owners are frequently

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## TODAY'S NEWS

### ECONOMIC

## Mexico's Trade Deficit Rises to \$6.29 Billion

Mexico's trade deficit rose sharply to \$6.29 billion in January, far higher than the \$1.24 billion trade deficit recorded in the same month last year.

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### ECONOMIC

## Costa Rica Signs Deal to Develop Green Hydrogen

Costa Rica's government signed an agreement Friday with Australian company Kadelco to develop green hydrogen in the Central American country. The deal could be worth \$2 billion.

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### POLITICAL

## Brazil Will Remain Neutral on Ukraine: Bolsonaro

Brazilian President Jair Bolsonaro on Sunday declined to condemn Russian President Vladimir Putin's invasion of Ukraine and said the South American country will remain neutral in the conflict.

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Bolsonaro // File Photo: Brazilian Government.

## POLITICAL NEWS

## Brazil Will Remain Neutral in Ukraine Conflict: Bolsonaro

Brazilian President Jair Bolsonaro, who met earlier this month in Moscow with Russian President Vladimir Putin, on Sunday declined to condemn Russia's invasion of Ukraine and said Brazil will remain neutral in the conflict, Reuters reported. During his visit to Moscow, Bolsonaro said Brazil was "in solidarity with Russia." Bolsonaro's stance put him at odds with the Brazilian government's official stance at last Friday's United Nations Security Council meeting, at which the South American country voted in favor of a resolution to denounce Russia's invasion of Ukraine. Russia ultimately vetoed the resolution. In saying that Brazil would remain neutral in the conflict, Bolsonaro said Russia and Ukraine were "practically brother nations," Reuters reported. "We will not take sides, we will continue being neutral, and help with whatever is possible," Bolsonaro said, the wire service reported. "A big part of Ukraine's population speaks Russian," he added. The Brazilian president added that he did not think Putin would seek to kill mass numbers of people in Ukraine. "A chief of state like that of Russia does not want to undertake a massacre, anywhere," he said. Referring to Ukrainian President Volodymyr Zelensky, Bolsonaro said Ukrainians have "placed the hope of their nation in the hands of a comedian," Reuters reported. Bolsonaro added that he would oppose any sanctions on Russia that would be detrimental to Brazil. He cited Russian fertilizers that are used in Brazilian agriculture. In a tweet, Bolsonaro said his government would continue efforts to evacuate Brazilians from Ukraine. In making the trip to Russia earlier this month, Bolsonaro "wanted to signal to Washington that the United States should be paying closer attention to its neighbors in the Southern Hemisphere and those that have proven to be valuable U.S. allies in the region, particularly when it comes to security and trade," Vladimir Rouvinski, director of the Cen-

ter for Inter-Disciplinary Studies at Universidad Icesi in Colombia, told the Advisor in a [Q&A](#) published Feb. 23. On Sunday, Bolsonaro said his administration had successfully managed to evacuate 70 Brazilians. On Saturday, three Brazilian soccer players who compete for a Ukrainian team said on social media that they had fled Ukraine and crossed into Romania, Reuters reported. Gabriel Busanello, Felipe Pires and a player known only as Bill, all posted messages saying they were safe. "We did it, after two days of lots of terror and tension we managed to get out ... and we're on our way home," Bill said in a video posted to Instagram.

## ECONOMIC NEWS

## Mexico's Trade Deficit Rises to \$6.29 Billion

Mexico's trade deficit rose sharply to \$6.29 billion in January, state statistics agency INEGI said Friday. The deficit is significantly higher than the \$1.24 billion recorded in the same month of 2021. The figure is "worse than the consensus expectations for a \$3.83 billion deficit," Goldman Sachs economist Alberto Ramos told clients in a research note circulated Friday. Supply chain issues affecting the manufacturing sector and declining oil export volumes were behind the higher-than-expected deficit, Ramos added. Meanwhile, the value of merchandise imports in January reached \$40.19 billion, an annual increase of 18.5 percent overall, with a 55 percent increase in oil imports for the month. Mexican exports should strengthen in the months ahead, according to Goldman Sachs, due to strong U.S. demand, a competitive exchange rate and the gradual alleviation of frictions that have been affecting several manufacturing supply chains. Mexico's economy grew 5 percent last year, but it fell into a technical recession in the final two quarters of the year as the country's gross domestic product contracted in both the third and fourth quarters. [Editor's note: See related [Q&A](#) in the Feb. 7 issue of the Advisor.]

## NEWS BRIEFS

## Explosion at Colombian Coal Mine Kills 11, Four Remain Missing

At least 11 people were killed Saturday night in an explosion at a coal mine in Colombia's Boyacá province, the country's national mining agency, ANM, said Sunday, Reuters reported. Four people remain missing, and rescue crews fear that they also were killed. The blast was caused by a build-up of methane gas in the mine, which is located in the municipality of Tasco, according to the mining agency.

## Ten Arrested in Mexico Photojournalist's Killing

Ten people have been arrested in connection with the Jan. 17 fatal shooting of Margarito Martínez Esquivel, a photojournalist based in the Mexican border city of Tijuana, the attorney general's office in Baja California state said Friday, The San Diego Union-Tribune reported. Martínez, who covered crime and security in Tijuana was among at least five Mexican journalists killed since the beginning of the year. Mexican officials said that some of the people arrested in the case are linked to an organized crime group, though they declined to name the group, the newspaper reported.

## Holcim Group Reports 17 Percent Growth in Latin America Net Sales

Holcim Group, a building materials manufacturer, said Friday that net sales in Latin America grew by 17.4 percent last year as compared to 2020. In a statement, the Switzerland-based company said net sales to external customers reached 2.61 billion Swiss francs (\$2.82 billion) in 2021. "The Latin America region achieved strong profitable growth on the back of good market demand driven by residential and infrastructure [segments] in all key markets," Holcim said, adding that new production lines started in Mexico and Argentina last year.

## Costa Rica Signs Deal to Develop Green Hydrogen Projects

Costa Rica will work with an Australian project development company to produce so-called “green” hydrogen in a deal that could be worth at least \$2 billion, the Tico Times reported Friday. President Carlos Alvarado, along with government energy officials, signed a memorandum of understanding with Sydney-based Kadelco, the report added. Officials in the Central American country will work with the firm to identify the conditions needed for production of carbon-neutral hydrogen. If those conditions are met, the deal would be worth roughly \$2 billion, according to the Tico Times. The MOU sets out the process for exchanging technical information on quality, power, availability, carbon content and seasonality of Costa Rica’s electricity supply, as well as the terms to facilitate the installation of infrastructure in the country, BNAméricas reported Feb. 24. “From the first day of this administration, this government has assumed a commitment to the development of clean energy and the production of green hydrogen in the country,” said Alvarado, BNAméricas reported. Kadelco CEO Faye Duncan said of the green hydrogen initiative, “[Costa Rica’s] national decarbonization plan has been a key element in our decision,” and pointed to other factors such as the country’s access to two oceans, its democratic stability and the presence of 400 foreign companies, according to the Tico Times.

### BUSINESS NEWS

## Chile’s Codelco Reports Surge in Profits for 2021

Chilean state-owned copper miner Codelco on Friday said its pre-tax profits soared to \$7.4 billion last year, as compared to \$2.1 billion

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subjected to extortion, land confiscation and ‘security service taxation.’ APHIS inspectors also attract the attention of the same criminal elements, and threats against inspectors are taken very seriously by the USDA and the U.S. State Department. Because of the export success of the fresh avocado crop, organized crime will continue to interfere with orchards and wholesalers in this sector, just as the same elements also interfere with lime production and exports from other regions of Mexico. Because of the importance of avocado commerce, government agencies in both countries will try to minimize these problems. The size of the market for this crop and the revenues generated guarantee that these problems will persist.”

**A Rubén Olmos, president of Global Nexus:** “While the Mexican government announced in early January that homicides declined by 3.6 percent from the previous year to about 33,308—below the 33,709 when President Andrés Manuel López Obrador took office in 2018—the crime and security situation across Mexico remains a concern for citizens and the business community in general. Most of the killings are between members of organized crime groups that are fighting not just for the control of routes, but also production and sales. States such as Zacatecas, Colima and Michoacán, which have newly elected state authorities from the ruling Morena party, have seen a concerning increase in crime, including extortions, kidnappings and shootouts. The increased threats to avocado farmers came from mafia leaders in local prisons who know how critical and dependent the product is to many countries, such as the United States. In recent weeks, many business organizations across border

a year earlier, Reuters reported. High prices for the metal led to the increase in profits, the company said. Codelco added that it produced 1.62 million metric tons of copper at its mines

states such as Chihuahua have voiced their concerns to authorities about the violence and its impact on the supply chain, as criminals have been blocking key arteries and threats to truck drivers remain high. In response, joint state and federal operations with Army, Navy and National Guard agents have been implemented. It is yet to be seen how the new U.S.-Mexico Bicentennial Framework for Security, Public Health and Safe Communities that replaced the Mérida Initiative will help curb the violence as the López Obrador administration tries to fix this problem that is affecting the government’s credibility. As we approach the June election in which citizens of six states will choose new authorities, we will likely see political violence on the rise.”

**A Raúl Benítez Manaut, researcher at the Center for Research on North America at the National Autonomous University of Mexico (UNAM):** “In response to a death threat made to a United States agricultural inspector—delivered as a message to his cell phone—who was inspecting avocado crops for export in the state of Michoacán, the U.S. government decided to suspend avocado imports from Mexico. There is a strong presence in Michoacán of various criminal groups, including the Jalisco Nueva Generación cartel, the main exporter of fentanyl, and the Caballeros Templarios. These criminal organizations threaten the population, tax farmers for their products and have de facto territorial control of rich agricultural areas. The United States has just reopened the authorization to import avocados. The temporary suspension of avocado exports was a message to the Mexican government. There are significant differences between the two governments on how to combat organized

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last year, similar to output in 2020, Reuters reported. [Editor’s note: See [Q&A](#) on potential nationalizations in Chile’s mining sector in the Feb. 16 issue of the Advisor.]

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crime, and the United States maintains that in Mexico the government does not have the capacity to control the territories through which criminals move freely. Added to this is a Feb. 22 tweet by Secretary of State Antony Blinken in which he mentioned Mexican journalists who have been murdered, saying they do not have effective protection from the Mexican government to carry out their work. Both acts—the tweet and the temporary ban—bother President López Obrador. The two governments have good relations, but there are events such as these that highlight their great differences and the perception that the U.S. government has about the real lack of Mexican territorial control and the freedom that criminals have.”

**A** **Benjamín Revuelta Vaquero, research professor in the faculty of law and social sciences at Universidad Michoacana de San Nicolás de Hidalgo:** “The export of avocados from Michoacán to the United States faces two challenges: safety and the environment. Both themes are critical to maintaining business leadership. The security protocols to be implemented in the coming weeks are a fragile balance that will require not only prompt implementation by local and federal authorities on security issues, but also a ‘rational decision’ process by gangs. If it is

possible to transit both ways, it is feasible to maintain a format that provides certainty to avocado production and exports. The issue of the environment is equally or more

“**The export of avocados from Michoacán to the United States faces two challenges: safety and the environment.”**

— Benjamín Revuelta Vaquero

complex. On the one hand, an environmental certification is required with its own characteristics that make the growing avocado production sustainable. On the other hand, it is necessary to implement mechanisms—a tax or an environmental fee—to remedy the environmental ills caused in recent years. This issue needs to be addressed as soon as possible by the government of Michoacán, the federal government and the Association of Avocado Exporting Producers and Packers of Mexico (APEAM), since failure to do so is violating the human right to a healthy environment and may lead to trade sanctions within the framework of the USMCA that will not be easy to resolve.”

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