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## FEATURED Q&A

# What's Behind the U.S.-Mexico Dispute Over Corn Imports?



Mexican Economy Minister Raquel Buenrostro is pictured at a Pacific Alliance meeting last month. // File Photo: Government of Mexico.

**Q U.S. Trade Representative Katherine Tai and Mexican Economy Secretary Raquel Buenrostro met virtually on Nov. 3 to discuss how to avoid a disruption in U.S. corn exports and how to return “to a science- and risk-based regulatory approval process for all agricultural biotechnology products in Mexico,” Tai’s office said in a statement. Nearly a week later, Mexican President Andrés Manuel López Obrador announced that Mexico will no longer buy yellow corn from the United States as it phases out corn that is genetically modified. What are the reasons behind the dispute between the United States and Mexico? How is the situation likely to play out? What impact is Mexico’s policies on corn having on the agricultural sectors of both countries?**

**A Devry Boughner Vorwerk, CEO of DevryBV Sustainable Strategies and former global head of corporate affairs at Cargill:** “Food and agriculture trade between the U.S. and Mexico has required constant maintenance over the years, and politics on both sides of the border governs the movement of certain commodities and food products such as sugar, pork, tomatoes, beef, and alas, corn. Corn is ‘life’ in Mexico, particularly white corn used to produce tortillas. The U.S. primarily exports yellow corn to Mexico that is used widely across the food economy for feeding livestock, food processing, and ethanol, for example. The two corn economies are synergistic, not antagonistic. All indications are that Mexican President López Obrador believes that he is protecting his people by banning U.S. imports of GM corn, which is not based on science. Trade agreements are governed by science, not by

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## Brazilian Wins Election to Head Inter-American Development Bank

Brazil's candidate to lead the Inter-American Development Bank, Ilan Goldfajn, won Sunday's election in the first round of voting.

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### POLITICAL

## Gunmen Open Fire on Police in Guanajuato

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### POLITICAL

## Peru: Police Use Tear Gas to Repel Castillo Protests

The protests coincided with the arrival in Lima of a high-level delegation from the Organization of American States that is visiting this week. The OAS team was invited at President Pedro Castillo's request to assess the political situation there.

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Castillo // File Photo: Peruvian Government.

## ECONOMIC NEWS

## Brazil's Goldfajn Wins Election to Head the Inter-American Development Bank

Brazil's candidate to lead the Inter-American Development Bank, Ilan Goldfajn, won Sunday's election in the first round of voting, the Financial Times reported. A former central governor and currently the head of the Western Hemisphere Department at the International Monetary Fund, Goldfajn had strong backing from the United States, which holds the most votes in the institution and is its largest financial contributor. "The United States looks forward to working with President Goldfajn to implement the set of reforms shareholders have laid out to bolster sustainable, inclusive, resilient



Goldfajn // File Photo: Brazilian Government.

development; private sector-led growth; climate ambition; and enhance the IDB's institutional effectiveness," U.S. Treasury Secretary Janet Yellen said Sunday in a statement. According to the Financial Times, Argentina's president, Alberto Fernández, agreed at the last minute to drop his candidate, international economic relations official Cecilia Todesca, and back Goldfajn in return for a senior role for an Argentine at the bank. In addition to Argentina, Chile, Mexico and Trinidad & Tobago had also put forward candidates for the job. Goldfajn replaces Cuban-American Mauricio Claver-Carone, a nominee of former U.S. President Donald Trump and the first American to lead the bank, who was removed by the IDB's governors after an external investigation found he had probably violated ethics rules by having a relationship

with a subordinate and giving her two large pay rises. Claver-Carone and the woman both denied a relationship. Goldfajn, 56, becomes the IDB's seventh president since the bank's founding in 1960 and is the first Brazilian to hold the post. His five-year term begins Dec. 19.

## POLITICAL NEWS

## Gunmen Open Fire on Police Station in Guanajuato, 3 Killed

Gunmen opened fire on a police station in the Mexican state of Guanajuato Sunday, and several people were killed when police returned fire, CBS News reported. Police in the city of Celaya said that several attackers had been killed in the incident, which occurred in a town outside of the city itself. Three police officers had been wounded, but their injuries did not appear to be life-threatening. Guanajuato has the highest number of homicides of any of Mexico's 32 states, with more than 2,100 murders registered in the state of six million between January and August, according to the report. In related news, 53 bags of human remains were found last week in the town of Irapuato, also in Guanajuato, where around 300 victims of gang violence have been found dead in similar circumstances in recent months, Agence France-Press reported today.

## Peru: Police Use Tear Gas to Repel Protests Against Castillo

Hundreds of anti-government protesters took to the streets in Lima on Sunday demanding the resignation of Peruvian President Pedro Castillo, Reuters reported. Castillo, a leftist who became president in July 2021, has already faced two impeachment attempts and stands accused of numerous corruption cases within his administration. At one point, police in anti-riot gear set barricades to block

## NEWS BRIEFS

## Chris Dodd Named as Special Presidential Advisor for the Americas

Former U.S. Senator Chris Dodd will serve as Special Presidential Advisor for the Americas, following up on his role planning the Ninth Summit of the Americas in Los Angeles last June, State Department spokesperson Ned Price announced Friday. Dodd, who is currently senior counsel at Arnold & Porter, will help advance issues such as economic cooperation, migration, health, human rights and food security. He will also support the work being done by U.S. Vice President Kamala Harris and other agencies to prepare for the Cities Summit of the Americas in Denver in April 2023.

## Hebe de Bonafini, 93, Argentine Human Rights Activist

Argentina's Hebe de Bonafini, one of the founders of the Association of Mothers of the Plaza de Mayo in May 1977, passed away Sunday at the age of 93, the Associated Press reported. The Mothers and other activist groups say that about 30,000 dissidents were disappeared during the dictatorship. Vice President Cristina Fernández de Kirchner, a former president, posted a tweet calling her "a global symbol of the fight for human rights, pride of Argentina."

## Ecuador Defeats Host Qatar in First Cup Game

In a surprise victory, Ecuador's national team defeated host team Qatar Sunday in the opening match of the 2022 Fifa World Cup, El Comercio reported. The score was 2-0. It is the first time that a host team has lost in the first match of a World Cup, according to the report. Ecuador's next match will be against the Netherlands later this week. Brazil remains the 2022 World Cup favorite, with the sportsbook listed as a +333 to win odds, followed by Argentina at 11/2 odds, according to Vegas Insider.

off streets surrounding the government palace to prevent marchers from advancing, the Associated Press reported. When protesters attempted to remove barriers, they were met with tear gas. The protests coincided with the arrival in Lima of a high-level delegation from the Organization of American States that is visiting Peru this week at Castillo's request to assess the political situation there. During the visit, the group will meet with authorities from the executive, legislative and judicial branches, as well as representatives of the government and the opposition, religious organizations and groups, business leaders, and civil society and unions, among others, the OAS said in a statement last week. The delegation will write a report that will later be presented to the Permanent Council.

## BUSINESS NEWS

### Chile's SQM Profits Surge on Higher Lithium Output

Chilean lithium producer SQM said last week its profits jumped more than ten-fold on lithium price gains, Reuters reported. The world's second largest lithium producer, SQM posted a net profit of \$1.1 billion for the three months that ended in September. The company said sales volumes for lithium and derivatives totaled 41,000 metric tons, the highest quarterly volume ever reported by the company, while average lithium prices rose to record levels during the quarter at more than \$56,000 per metric ton, the company said. Lithium prices are set to remain high through 2022 and the first months of 2023, a SQM executive said last Thursday during a call to discuss its third-quarter results. The salt flats of the so-called lithium triangle—made up of Argentina, Chile, and Bolivia—contain roughly half the world's known lithium. Last year, Argentina and Chile produced about 30 percent of the world's lithium, according to a Foreign Policy report. [Editor's note: See related [Q&A](#) in the Nov. 15 issue of the Advisor.]

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personal belief. Therefore, Mexico is in violation of its trade commitments, and will likely be challenged by the U.S. under USMCA. If Mexico does not comply with the agreement, trade retaliation could take place and that could come in the form of tariffs placed on non-ag commodities. In 2022, the world is facing an unprecedented food price crisis. An import ban will exacerbate the crisis in Mexico by immediately driving up prices of corn by nearly 50 percent in the first year, according to an economic study published in September 2022 by World Perspectives. The complexities of sourcing non-GM corn are vast, and the spigot of alternatives cannot be turned on overnight. It's best for cooler heads to prevail and for U.S. corn to flow south. Right now, it is difficult to remain optimistic that the current Mexican Administration will do the right thing, and so a trade skirmish is upon us."

**A Jon Huenemann, former Assistant U.S. Trade Representative & NAFTA Coordinator:**

"The origins of this situation are decades in the making. As trade in the NAFTA and now USMCA became more open the fundamental contrasts between the differently purposed Mexican smaller plot farms and American larger corn growing enterprises came into play. U.S. corn growers are largely supplying different customers in this context than are Mexican small plot farmers—animal feed versus tortilla makers, for example—and the type of corn grown is also different, yellow versus white. Yet, at the core this issue is about the longstanding Mexican small plot farmer concern with more efficiently grown U.S. corn. After years of complaints, they now found a Mexican government that was willing to listen and act on their concerns about 'excessive' import penetration. Moreover, they have cloaked that argument in the politically appealing concern over GMOs. Accordingly, the U.S. focus in raising its concern with the ban is on the science behind the planned import

restrictions. This kind of battle is not unique to U.S. and Mexico agriculture trade, and trade agreements have long anticipated these battles in how they are worded. The logical way for this debate to play out is via the USMCA dispute settlement system. And given the economic stakes in both countries a resolution will have to be found that sufficiently meets the economic needs of both parties. We always knew that corn, like the related issue of sweetener trade, among a few other areas, would be tough in this bilateral relationship, and now here we are!"

**A Karen Hansen-Kuhn, program director at the Institute for Agriculture and Trade Policy:** "In response to numerous recent supply chain disruptions, there is a growing movement internationally to rebuild resilience by increasing domestic production of food for local markets. When Mexican President Andrés Manuel López Obrador took office in 2019, one of his first initiatives was to establish a program for food self-sufficiency. This included a series of programs designed to increase local production (especially by smallholder farmers) at fair prices and to transition to production methods that are healthier for the environment and public health. These initiatives included a plan announced in December 2020 to phase out the use and imports of glyphosate and GMO corn by 2024. Recent pressure on the Office of United States Trade Representative (USTR) by U.S. corn exporters has raised alarms about supposedly unfair restrictions on their sales to Mexico. They claim that the U.S.-Mexico-Canada Agreement (USMCA) requires Mexico to approve imports of goods produced using agricultural biotechnology. In fact, while USMCA sets out a process to consider approval of those goods, it also explicitly states that nothing in the agreement requires countries to reach any specific conclusion. The transition to greater national sufficiency in corn and other food supplies clearly won't happen overnight. In the mean-

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time, the Mexican government is exploring where it can purchase corn that meets its needs. The Organic & Non-GMO Report notes that in 2020, U.S. farmers planted 7.49 million acres of corn produced without GMOs. U.S. producers who want to sell to Mexico could shift their production methods ahead of the 2024 planned transition to satisfy Mexico's consumers and laws. Continuing disruptions to food supplies demand new approaches. Mexico's planned transition is one such response. The U.S. should learn from that kind of initiative rather than doubling down on the failed agriculture and trade policies of the past."

**A** **Andrés Rozental, former Mexican diplomat and president of Rozental & Asociados:** "Any prohibition by Mexico to allow imports of genetically modified maize is a violation of the U.S.-Mexico-Canada Agreement (USMCA) which establishes that imported goods cannot be discriminated against with respect to domestic goods unless technical and scientific evidence can show that an imported good would present a risk if allowed into the country. An eventual implementation of the 2020 presidential Decree that seeks to ban imports to Mexico of genetically modified corn (GMO) by January 2024 would thus be in violation of the USMCA because there is no technical or scientific evidence on risks to the population in the consumption of GMO corn. Currently, corn consumption in Mexico amounts to 45 million metric tons annually, while national production is only 27 million tons. Therefore, Mexico needs to import almost 18 million tons to meet demand, of which almost 95 percent come from the United States and represent 30 percent of that country's corn exports. Compliance with this Decree will not only create a serious bilateral dispute under the USMCA, but also puts food security in Mexico at risk, causing an increase in marketing costs of about \$4.4 billion if the country is forced to develop non-U.S. sources for non-GMO corn, which in any

case are currently nonexistent. In addition to increased costs for the Mexican consumer and the effect on inflation, this measure will adversely affect U.S. producers, as well as more than 60 industries in Mexico that use corn as a basic input for the elaboration of derivatives which are used in the manufacture of thousands of products for the domestic market."

**A** **Ed Lebow and Larry Pascal, attorneys at Haynes & Boone:** "The dispute between Mexico and the United States surrounding the 2020 threat by President Andrés Manuel López Obrador to ban imports of U.S. genetically modified corn as well as corn grown using the herbicide glyphosate, effective January 31, 2024, appears to be coming to a head. Last month Mexico's Deputy Agriculture Minister Víctor Suárez stated Mexico would in fact proceed and by so doing cut its imports of U.S. yellow corn in half. Yellow corn is used primarily as animal feed and constitutes the majority of U.S. corn exports to Mexico. According to a recent letter to USTR from Iowa Senators Chuck Grassley and Joni Ernst, the proposed ban would reduce U.S. corn exports to Mexico by 90 percent. The senators called on USTR to formally request dispute settlement consultations under the USMCA. A formal USMCA dispute settlement would begin with consultations and could postpone, and perhaps eventually avert, imposition of the import ban. If such a proceeding is initiated, Mexico can be expected to argue that it is within its national rights to ban imports of GMO corn, whereas the U.S. will assert that the decree would be discriminatory and not based on science. There is some hope that a trade dispute could be averted. An import ban would result in increased costs for Mexico. The Biden Administration will want to protect U.S. farmers, an important constituency, from economic harm. The terms of any future settlement are unclear, but both sides have compelling reasons to find a solution."

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