

MEMORANDUM: PHONE CALL WITH MEXICAN SECRETARY OF ECONOMY GRACIELA MARQUEZ
TO: AMBASSADOR ROBERT E. LIGHTHIZER
FROM: ACTING AUSTR DANIEL WATSON
THROUGH: AMBASSADOR C.J. MAHONEY
DATE: March 16, 2020

EXECUTIVE SUMMARY

You are scheduled for a phone call with Mexico's Secretary of Economy Graciela Marquez on March 17 at XX:YY. In the phone call, you can discuss **Exemption 5**

[REDACTED]

[REDACTED]

[REDACTED]

ECONOMIC AND TRADE OVERVIEW

Trade Overview

Mexico continues to rank as our largest trading partner. In 2019, Mexico accounted for \$614.5 billion in total goods trade (\$358.1 billion in imports and \$256.4 billion in exports).

Bilateral Trade Statistics

U.S. Trade with Mexico:

- The U.S. goods trade deficit with Mexico was \$101.8 billion in 2019, a 26.2% increase (\$21.1 billion) over 2018.
- The United States has a services trade surplus of an estimated \$6.5 billion with Mexico in 2019, down 18.9% from 2018

Mexico's Trade with the World:

- 2018 – Mexico's Goods Deficit with the World: -\$13.4 billion (Source: TDM)
- 2018 – Mexico Services Deficit with the World: -\$8.7 billion (Source: WTO)
- 2019 Annualized – Mexico's Goods Surplus with the World: +\$5 billion (based on first 11 months of data) (Source: TDM).

Steel and Aluminum Monitoring

TBD: Input forthcoming

USMCA Implementation

The Trade Priorities and Accountability Act (2015) requires the President to submit written notice to Congress that Canada and Mexico have "taken measures necessary to comply with those provisions of the agreement that are to take effect on date on which the agreement enters into force." Western Hemisphere and functional offices have engaged extensively with Mexico to review and analyze its laws and regulations for compliance with USMCA obligations.

The Mexican government is working closely with the Mexican Senate to develop new laws on IP (particularly patents and copyright) and a complete overhaul of Mexico's standards legislation to implement the USMCA chapters on IP, Technical Barriers to Trade, and Good Regulatory Practices. USTR has **Exemption 5**

[REDACTED]

[APG]

Exemption 5 For labor, Mexico largely implemented its obligations in the 2019 labor reform, but we are closely monitoring the progress of its staged implementation. Other major areas of review include autos rules of origin, customs and trade facilitation, environment, agriculture and SPS chapters. **Exemption 5**

Biotech and Glyphosate

Mexico's recent departure from science- and risk-based regulatory approaches raises concerns regarding compliance with certain USMCA provisions. Mexico has: 1) not approved biotech products for food and feed use since May 2018 (Mexican law requires a decision within six months of receipt); 2) rejected applications for cultivation of biotech cotton, citing the so-called "precautionary principle" and adversely impacting U.S. exports of biotech seed; and 3) denied import permits for glyphosate products, citing the "precautionary principle" and the goal of "clean agriculture" without pesticide use.

Seasonality

On January 9, you issued letters to the Florida and Georgia congressional delegations on seasonable and perishable products, committing USTR and USDA to hold hearings on trade-distorting policies that may be contributing to unfair pricing in the U.S. market and causing harm to U.S. seasonal and perishable producers. USTR issued a notice in the *Federal Register* on March 5 announcing hearings on April 7 and April 9. Those hearings will likely be postponed due to the coronavirus.

TALKING POINTS

Steel and Aluminum

TBD: Input forthcoming

USMCA Implementation

- As you know, a comprehensive implementation and certification of the USMCA's obligations is our top priority. **Exemption 5**
- It is important that any changes to law or regulation be made with a view to USMCA compliance.
- There will continue to be ongoing scrutiny of labor and environment implementation, in particular.

Biotech and Glyphosate

- I understand **Exemption 5** stalled biotech approvals for food and feed, including the possibility of your "Economic Growth Cabinet" installing a system in which permits of all types (including those for biotech) would automatically be approved if no decision is taken within the number of days mandated by law or regulation. Do you have any update on this?

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- Mexico has rejected applications for cultivation of biotech cotton when biotech cotton has been cultivated in Mexico for 25 years with no evidence of adverse impact on biodiversity.
- Mexico has denied import permits for glyphosate products without scientific justification. Glyphosate has a proven safety record and is one of the most rigorously studied herbicides in the world.

- Exemption 5 [REDACTED]

- Exemption 5 [REDACTED]

Seasonality (if raised)

- My January 9 letter to Congress commits USTR to developing a plan, under existing trade laws, to implement remedies to address any trade distorting policies harming U.S. producers of seasonable and perishable products.
- As you know, this plan is based in part on field hearings in Georgia and Florida.
- The letter does not specify any particular country and only commits USTR to developing a plan.

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BIOGRAPHICAL INFORMATION

Graciela Marquez Colin

Minister of Economy



Graciela Marquez Colin is Mexico's Minister of Economy (*Economía*), the first woman ever to occupy the position. Previously, she was a professor and researcher at the College of Mexico's Center for Historic Studies. She was also a National Regeneration Movement Party (MORENA) advisor.

Marquez has said Lopez Obrador's economic priorities are managing the national debt, preserving the latest tax reforms, maintaining current levels of inflation and currency exchange, protecting Central Bank independence, and pursuing more efficient budget control through bureaucratic transparency.

She was a member of the Mexican National System of Researchers and is the author of several articles on trade policy, industrialization, inequality, and economic development.

Marquez holds a bachelor's degree in Economics from UNAM and a master's degree in Economics from The College of Mexico. She received her PhD in Economic History from Harvard University in 2002, where her thesis earned the Economic History Association's Alexander Gershenkron Prize—a prestigious award for the best dissertation in the economic history of an area outside the United States or Canada.

In the United States, Marquez was a residential fellow at the Center for US-Mexican Studies at University of California San Diego (September 2017 to May 2018). She has also been a visiting professor at University of Chicago, Harvard University, and Stanford University.

In Mexico, Marquez has been a professor at the National Autonomous University of Mexico, the Monterrey Institute of Technology and Higher Education, the University of Guanajuato, and the Autonomous University of Baja California.

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