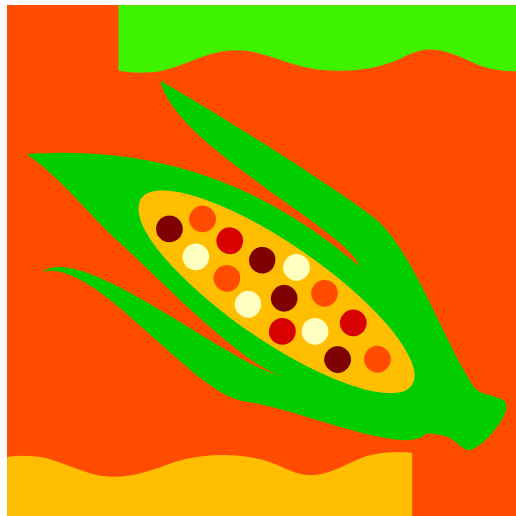


IMPLICATIONS FOR THE U.S. AND MEXICO OF MEXICO WITHDRAWING CERTAIN AGRICULTURAL PRODUCTS FROM NAFTA



Prepared By
DTB Associates, LLP
And
AgRisk Management, LLC

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This paper was prepared for clients of DTB Associates, LLP and AgRisk Management, LLC as general background information and in response to specific questions about the prospect of NAFTA being renegotiated for the purpose of allowing Mexico to impose barriers to imports of U.S. corn and dry edible beans. The content of this paper is freely available to the public.

DTB Associates provides advice and counsel on legal and policy issues related to agricultural trade and domestic agricultural policies. For more information, contact Paul Drazek at (202) 661-7095 or at pdrazek@dtbassociates.com.

AgRisk Management is an agricultural consultancy firm providing both historical and forward-looking analyses of the impacts of possible changes in domestic support and trade policy settings. For more information, contact Dermot Hayes at dhayes@iastate.edu.

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I. EXECUTIVE SUMMARY

At least two Mexican presidential candidates have advocated renegotiating the North American Free Trade Agreement (NAFTA). Their goal is to reinstate import restrictions on certain U.S. farm products, particularly corn and dry edible beans. At the same time, the Mexican government reportedly has requested formal consultations with the United States on possible renegotiation of the NAFTA, presumably for similar reasons. Both initiatives raise serious concerns – particularly regarding substantial, if unintended, damage to the Mexican economy.

For several reasons, it is highly unlikely that the United States would agree to renegotiate the NAFTA. To do so, for example, would prompt demands from producers of other import-sensitive commodities for similar treatment in the NAFTA or in other free trade agreements, including those still under negotiation. Moreover, any such action would compel Washington to respond by raising tariffs on selected Mexican products to reestablish the balance in the two nation's trade rights and obligations. This would no doubt lead to a spiraling down from the full, tariff-free trade regime that is otherwise scheduled to be achieved under the NAFTA by January 2008.

Because of the importance of Mexican agricultural exports to the United States, this clearly would have damaging consequences for Mexico. Shipments of Mexican farm products to the United States have climbed 207% since 1993 (the year before NAFTA took effect), jumping from \$2.7 billion to more than \$8.3 billion last year. In this period, U.S. agricultural exports to Mexico have risen 161%, from \$3.6 billion to \$9.4 billion. The gap in the agricultural trade balance has narrowed in the process, mainly because of the growth of Mexico's fruit and vegetable exports to the United States.

Mexico's gains, however, would be in serious jeopardy if it were to invite tariff retaliation by the United States. That would place its agricultural exports to the United States at a distinct competitive disadvantage when compared with those of other nations and regions with which the United States has signed new free trade agreements (FTAs) – Central America, the Dominican Republic, Andean nations, Australia – and still others with whom free trade agreements currently are being completed or negotiated.

The analysis for this paper focuses almost entirely on the economic and trade policy effects of increased Mexican tariffs on corn. This is because no economic model was available to conduct a similar analysis for beans. (In Section IV, on potential U.S. policy reactions, though, the paper does examine implications for bilateral trade if dry edible beans were removed from the NAFTA.) The analysis also examines the effect of removing all corn from the NAFTA, as opposed to just white corn. NAFTA does not distinguish between the two.

The analysis also assumes that the withdrawal of corn and dry beans from NAFTA would result in the reimposition of Mexico's full "most favored nation" (MFN) tariffs for those products (that is, the WTO bound tariff that Mexico applies to the same products imported from most of its trading partners). If lesser tariffs

were applied, the economic consequences and the level of U.S. retaliation would be commensurately reduced.

The analysis shows the following key implications for Mexico:

- Corn prices in Mexico would increase about 200%. This would put upward pressure on prices of food products containing corn and would have a dramatic impact on poor Mexican consumers and the rate of food price inflation. Inflation in Mexico would rise by a full percentage point. In our baseline, inflation in Mexico is projected to be 3.76%. Under the scenario envisioned, this would rise to 4.76%. At the same time, per-capita consumption of corn would fall 13% as poorer consumers struggled with budget difficulties.
- Faced with higher corn prices, the Mexican pork and poultry industries would attempt to switch to less expensive feed sources such as sorghum. However, because such alternative feeds are not as efficient as corn, production costs would rise by 30% for pork producers and by 20% for broiler producers.
- Because of higher feed costs and continued imports of tariff-free U.S. pork and poultry, the competitiveness of Mexico's livestock sector would diminish and the industry would begin to shrink. By 2015 the Mexican pork industry would contract by 18% and the Mexican poultry sector by 14%. The 18% drop in the pork industry would remove 60,480 jobs from that sector, while the 14% drop in poultry production would force 142,800 laborers out of the poultry industry. The total job loss for the two sectors, then, would be 203,280.
- U.S. sorghum exports to Mexico would increase 40%, and U.S. pork and poultry exports would rise about 10%. U.S. corn exports, on the other hand, would fall about 9%.
- While the overall effect would be positive for Mexican corn producers, it would be devastating for low-income Mexicans and for the Mexican livestock sector. The result: High-skilled jobs in the livestock sector would be lost while poorly paid work in corn production increased.

The economic pain for Mexico would not necessarily end there. The U.S. retaliatory (or compensatory) tariffs – which would be applied whether Mexico raised tariffs on corn and dry beans through NAFTA renegotiations or by unilateral action – would likely target Mexican farm products – but they would not have to do so. Trade retaliation often has political dimensions. Thus the United States could target products of certain Mexican states or include non-agricultural products of special interest to Mexico. In the former case, for example, the states could be those of politicians who support the removal of corn or beans from the NAFTA. In the latter case, products such as tequila or shrimp could be targeted.

Following are several retaliatory scenarios, taking into account the relative level of trade in the affected commodities as well as the level of MFN tariffs that could be reimposed¹.

- **Scenario 1: Mexico applies a flat duty on corn of 37%.** Potential U.S. retaliatory response: Increasing U.S. import duties on all major Mexican fruit and vegetable exports to the United States (excluding only avocados and onions). This would yield a U.S. retaliation figure of \$243.6 million, roughly equal to the trade impact of Mexico imposing the WTO bound rate of duty on U.S. corn. In other words, a possible U.S. response to an increase in the Mexican import duty for corn would be to increase import duties on the vast majority of Mexican fruit and vegetable exports to the United States.
- **Scenario 2: Mexico withdraws dry beans from NAFTA, increasing duty to minimum WTO bound rate on dry beans of 125.1%.** Potential U.S. retaliatory response: Increasing import duties on Mexican tomatoes, citrus and onions. This would have a trade impact of \$47.8 million, roughly equal in impact to Mexican withdrawal of tariff concessions on U.S. dry beans.
- **Scenario 3: Mexico applies a flat duty on corn of 37% and the minimum WTO bound rate on dry beans of 125.1%.** Potential U.S. retaliatory response: If the United States increased import duties on all major Mexican fruit and vegetable exports to the United States, the trade impact would only reach \$272.8 million. U.S. withdrawal of NAFTA trade concessions on fruits and vegetable imports from Mexican would therefore not be sufficient to cover the trade impact associated with Mexican withdrawal of the NAFTA corn and dry bean concessions (\$291.2 million). Thus the United States also would have to consider withdrawal of U.S. NAFTA tariff concessions on additional products.

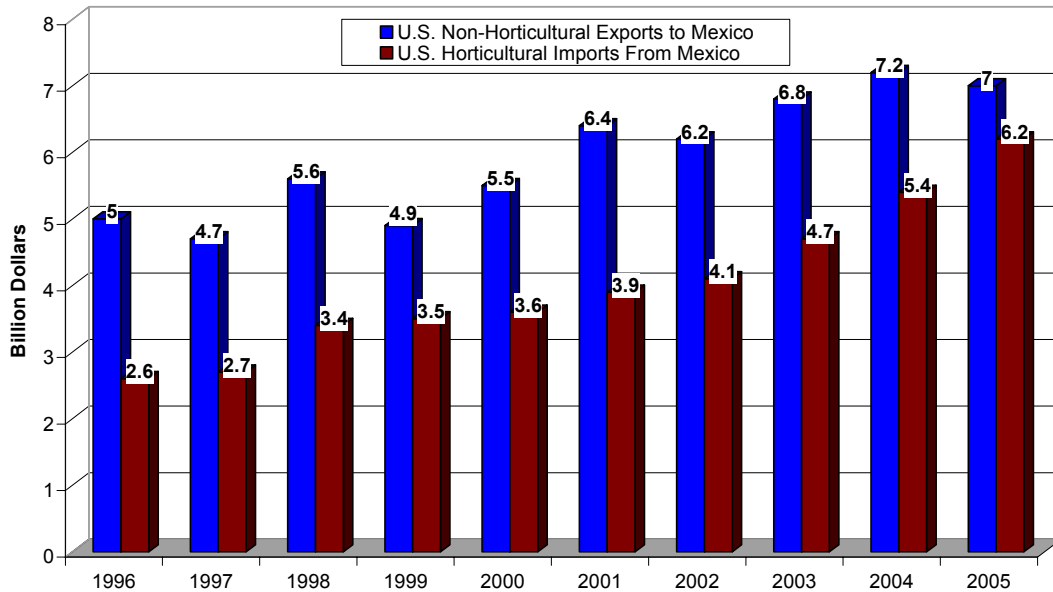
Whatever the course taken by Mexico, the evidence suggests that it would result in self-inflicted wounds.

¹ Our assumptions regarding the levels of tariffs Mexico might apply are explained in the paper. Several other possible scenarios are also included in the paper.

II. THE IMPORTANCE OF NAFTA TO MEXICAN AGRICULTURE

NAFTA has been beneficial to both the U.S. and Mexican agricultural sectors, but in different areas. The United States has increased its exports to Mexico in more capital-intensive commodities (mainly grains, oilseeds and livestock), while Mexico's gains have been in more labor-intensive and higher value-added commodities (mainly horticultural crops). The following chart² illustrates the trend in U.S. imports of horticultural products from Mexico compared with the trend in U.S. exports of non-horticultural exports. Mexico, it shows, has significantly narrowed the gap between the two over the past decade.

U.S. Horticultural Imports From Mexico Compared to U.S. Non-Horticultural Exports to Mexico



The horticultural crops generate higher added value and more income per acre to Mexican farmers than do other crops, as illustrated by the next chart.

² Unless otherwise indicated, the source for the data for all of these trade charts is the Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics, obtained through the Department of Agriculture's Internet Trade Data System.

SUPERFACE AREA AND VALUE
OF PRODUCTION. NATIONAL AVERAGE 1996-1999

Region	Share in %:		Value/ Area (b/a)
	Area. (a)	Prod. Value (b)	
Cereals	44.2	21.3	0.5
Fruits	5.9	16.7	2.8
Horticulture	2.5	17.2	6.9
Industrials	11.8	15.2	1.3
Cattle feed	22.0	19.1	0.9
Oil seeds	1.8	0.9	0.5
Vegetables	11.1	4.7	0.4
Tubers	0.3	3.1	10.1
Other	0.4	1.7	4.2
National total	100.0	100.0	

FUENTE: SIAP

Moreover, the free flow of grains into Mexico has fostered greater production of value-added livestock. This clearly has occurred since NAFTA was implemented, as production of poultry, pork, cattle and dairy in Mexico has increased significantly despite imports from the United States.

NATIONAL LIVESTOCK PRODUCTION 1994-2001
(thousands of tons)

Item	1994	1995	1996	1997	1998	1999	2000	2001	2002	Growth*/ 94/02	Change % 94/02
Meats	3,451.0	3,704.9	3,589.6	3,805.6	4,030.5	4,216.5	4,359.5	4,568.7	4,625.8	3.7	34.0
Bovine	1,364.7	1,412.3	1,329.9	1,340.1	1,379.8	1,399.6	1,408.6	1,428.4	1,449.7	0.8	6.2
Porcine	872.9	921.6	910.3	939.2	960.7	994.2	1,030.0	1,143.6	1,158.1	3.6	32.7
Ovine	30.3	29.9	29.4	30.2	30.4	30.8	33.4	36.0	37.9	2.9	25.2
Caprine	38.7	37.7	35.9	35.3	38.3	37.4	38.8	39.0	40.9	0.7	5.6
Poultry	1,144.4	1,303.4	1,284.0	1,460.9	1,621.4	1,754.5	1,848.7	1,921.7	1,914.6	6.6	67.3
Dairy (Mill.ltrs.)	7,461.5	7,537.6	7,709.3	7,968.6	8,443.5	9,008.3	9,442.6	9,640.6	9,699.9	3.3	30.0
Bovine	7,320.2	7,398.6	7,586.4	7,848.1	8,315.7	8,895.1	9,311.4	9,500.7	9,560.2	3.4	30.6
Caprine	141.3	139.0	122.9	120.5	127.7	131.0	131.2	139.9	139.7	(0.1)	(1.1)
Other prods.:											
Egg	1,246.2	1,242.0	1,235.9	1,328.9	1,461.2	1,634.8	1,787.9	1,881.6	1,885.1	5.3	51.3
Wool	4.0	4.1	3.9	4.3	4.2	4.2	4.2	4.3	4.4	1.3	11.3
Wax	2.7	1.9	2.0	1.9	2.3	1.9	2.3	2.1	2.5	(1.1)	(8.2)
Honey	56.4	49.2	49.2	53.7	55.3	55.3	58.9	55.8	60.6	0.9	7.4

*/ Average Annual Growth Rate

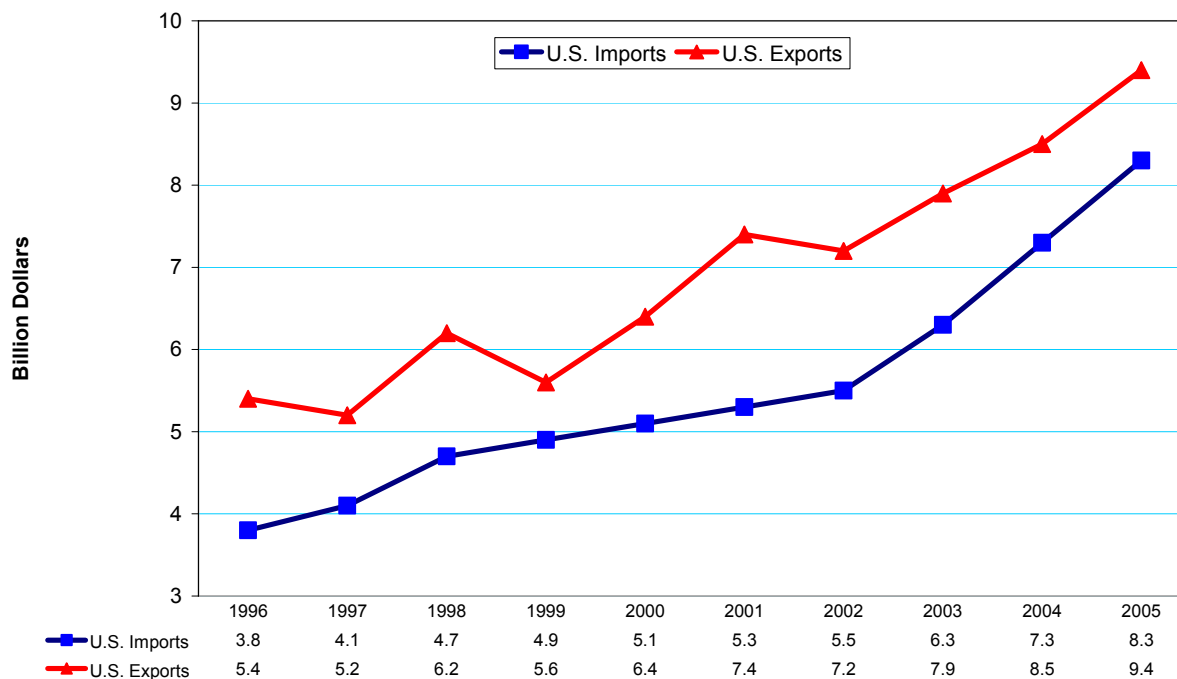
Source: Servicio de Información y Estadística Agroalimentaria y Pesquera, SAGARPA.

NAFTA also has held down prices for important consumption items such as corn and livestock products in Mexico and fruits and vegetables in the United States. In so doing, NAFTA has reduced the level of food price inflation in both countries and has improved the standard of living for consumers throughout North America.

Another interesting aspect of trade between the two countries is how consistent Mexico's export growth has been. Since irrigated horticultural products are not greatly affected by weather, production is much more stable from year to year and better able to respond to market signals. The signals from the U.S. market have been to increase Mexican production and exports to satisfy a growing year-round demand for fruits and vegetables.

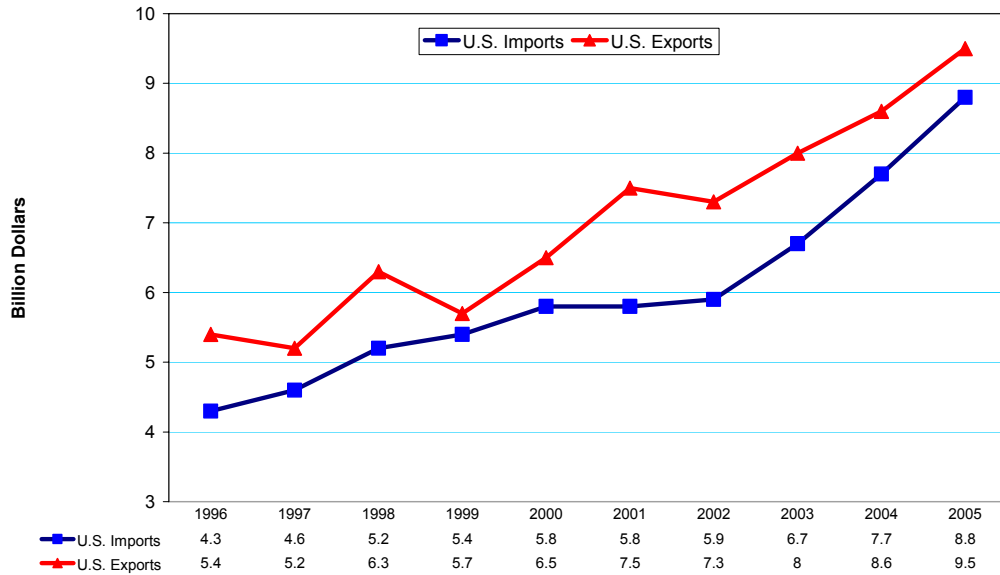
Total agricultural trade in both directions also has demonstrated a remarkably consistent and parallel growth path. Mexico's exports to the United States have increased more rapidly over the past three years in particular, resulting in a narrowing of the gap in the overall balance. This trend can be seen in the following chart.

Total U.S. Agricultural Trade with Mexico



When fishery products, such as shrimp, are also included, the gap narrows even more.

Total U.S. Agricultural and Fishery Trade with Mexico

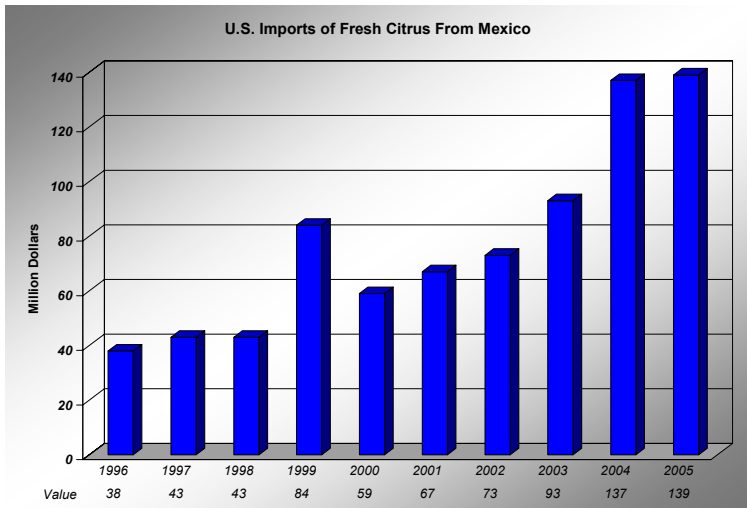
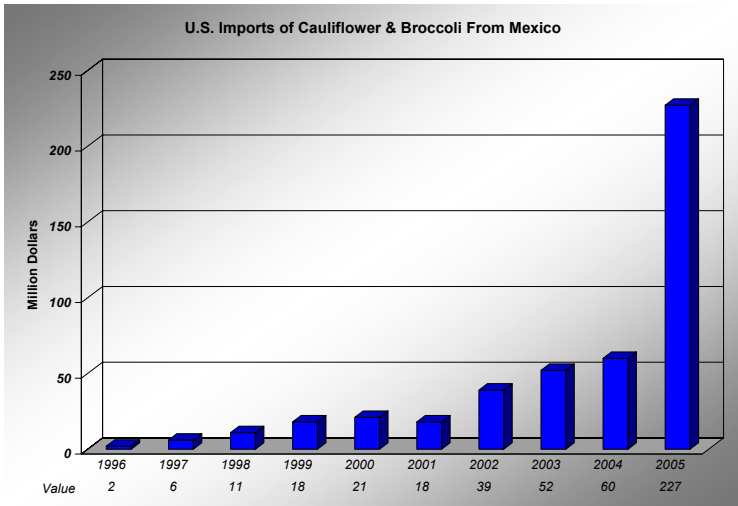
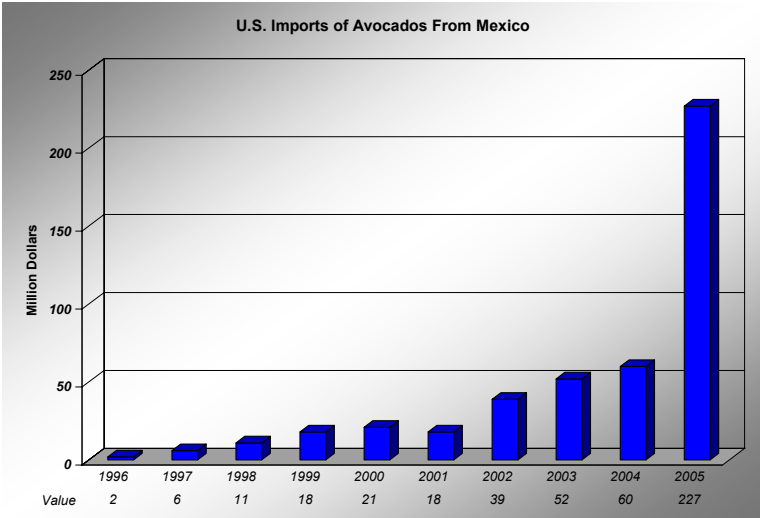


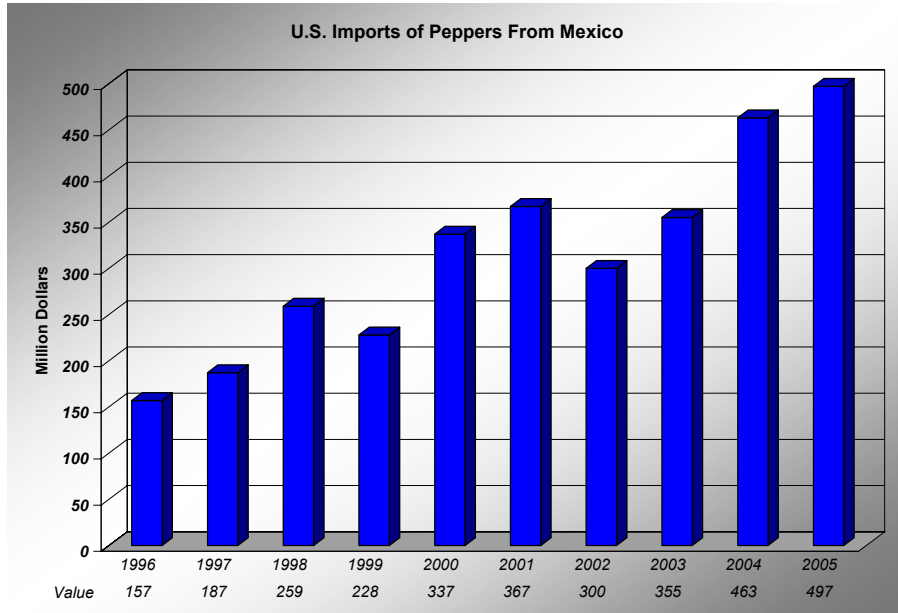
NAFTA has allowed Mexico to solidify its position as the second largest exporter of agricultural products to the U.S. market, behind only Canada, the other NAFTA participant.³ Mexico's share of the market grew from 11% to 14% from 1996 to 2005. However, in the past three years, the United States has entered into new free trade agreements with Central American countries, the Dominican Republic, Andean countries, and Australia. Other free trade agreements are being completed or negotiated. Mexico's preferential advantage under NAFTA in many crops will be gradually eliminated as these agreements are phased in over the relevant transition periods.⁴ But Mexico's NAFTA advantage would be eliminated immediately for any product that is removed from the Agreement by the United States as a result of actions to alter the terms of the deal.

The charts that follow, and additional charts in Attachment 1, show a strong upward trend over the past 10 years in U.S. imports of most of Mexico's top 20 horticultural products. In a number of cases, the growth has been particularly strong in the most recent years. This is likely the result of the phase-down in U.S. tariffs under the NAFTA, either reaching a point where a given tariff has reached zero under a 10-year transition period, or reaching a level that is low enough that the tariff no longer has a significant restrictive effect on imports.

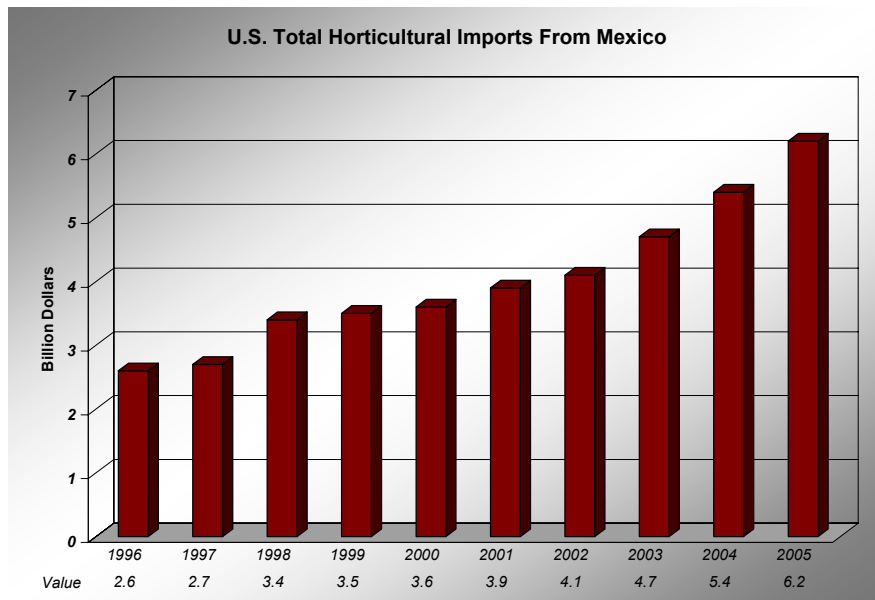
³ If all EU members were added together, the EU would be the largest supplier of agricultural products, mainly because of wine, cheese and processed products.

⁴ These are generally 5 to 15 years but can range up to 18 years for some sensitive products.

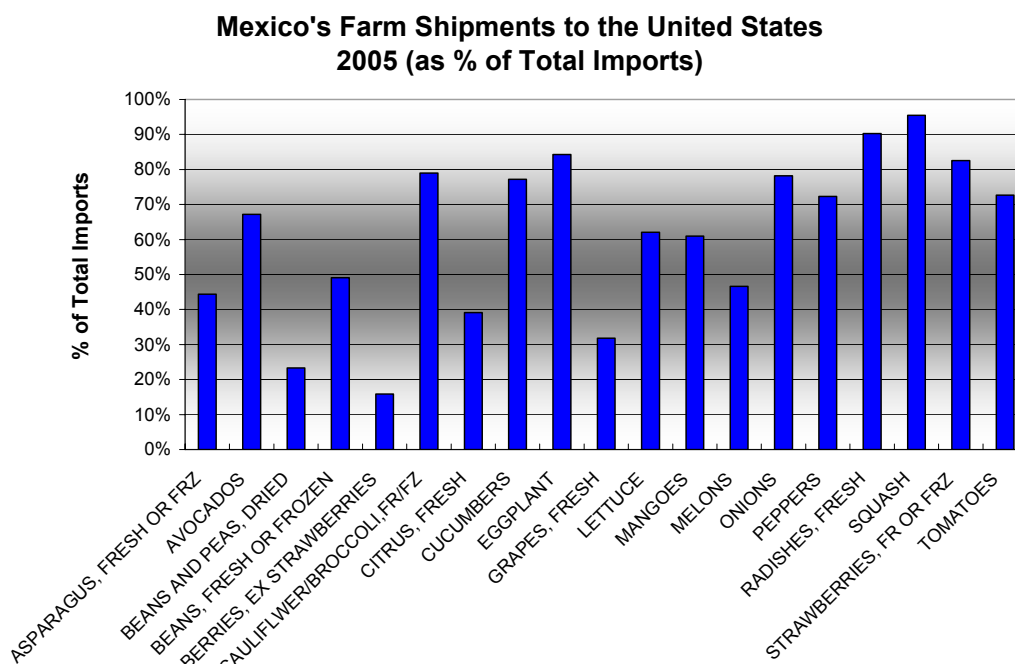




As can be seen in the following chart, the same general growth trend has occurred over the past 11 years for the horticultural sector as a whole.



Mexico is also the principal supplier to the United States of most horticultural products – in part because of the preferential access it receives under NAFTA. The chart below shows that Mexico claims over half of the U.S. import market for most of these crops.



III. Quantitative analysis of the impact of increasing Mexican import duties on U.S. corn; i.e., complete withdrawal of existing Mexican tariff concessions under the NAFTA for corn, replacing it with current WTO bound rate.⁵

Implications

To examine the likely implications of increased barriers to corn imports, a study was commissioned by an economist with the Food and Policy Research Institute (FAPRI) at Iowa State University. FAPRI conducts much of the policy analysis for the U.S. Congress and has an international reputation for unbiased policy research. The scenario for the analysis is described below.

⁵It is unclear precisely how Mexico would “renegotiate” its NAFTA commitment on corn and dry beans, or, more likely, unilaterally remove them from NAFTA and apply some form of continued import protection. For the purpose of this economic analysis, we examined the impact of full removal of corn from the Agreement and reintroduction of the duty to the normal most-favored nation (MFN) rate (the rate that applies to imports from most other countries). The impact on prices, exports, U.S. retaliation, etc. of a lower level of protection than this would be directly proportional to that lower protection. Likewise, a restriction only on white corn or establishment of a special tariff-rate quota (TRQ) would have commensurately reduced effects. For the purpose of this report, these were not analyzed, but it is important to note that these actions, too, would be illegal under NAFTA and would prompt a retaliatory response by the U.S. against Mexican products. A lower corn tariff was used for the analysis of U.S. retaliation beginning on page 25.

Scenario and assumptions

Under NAFTA, Mexico established a tariff rate quota (TRQ) for corn imported from NAFTA countries of 2,501,000 metric tons. The TRQ was to grow by 3% annually over 15 years, reaching 3,671,000 metric tons by 2007. In 2008, the TRQ is to be eliminated. The base period out-quota rate was 215%. This tariff is also to be eliminated by 2008. The in-quota rate is now zero. Hence, by 2008, the NAFTA corn regime in Mexico is scheduled to be a duty-free.

If Mexico were to withdraw corn from NAFTA, the assumption is that Mexico's current WTO market access regime would apply to U.S. corn, as fixed by the Uruguay Round Agricultural Agreement (URAA). That Agreement resulted in a "most favored nation" binding commitment of a fixed TRQ of 2,501,000 metric tons, with an in-quota tariff of 50% and a base period over-quota tariff of 215%. The over-quota tariff was reduced over the URAA transition period to 194% in 2004.

The scenario for this analysis can be summarized in the following table. It shows tariff and quota levels for corn under both NAFTA and the URAA and the changes that would occur if, beginning in 2006, Mexico abandoned its NAFTA commitments and applied the URAA treatment to U.S. corn imports.⁶

	2005	2006	2007	2008 (onwards)
NAFTA				
TRQ (tmt)	3461	3564	3671	
In-Quota (%)	0	0	0	0
Out-Quota (%)	55	37	18	0
URAA				
TRQ (tmt)	2501	2501	2501	2501
In-Quota (%)	50	50	50	50
Out-Quota (%)	194	194	194	194

Note: tmt = thousand metric tons

⁶ For the purpose of the analysis, the following additional assumptions were used:

- Given the baseline corn import level and the URAA policy parameters, the Mexican model solution becomes unstable as the duty cycles from the out-quota rate to the in-quota rate as the import level exceeds the TRQ at the in-quota rate and falls within the TRQ at the out-quota rate.
- Supposing that the primary motivation for the change in policy is to provide higher protection to Mexican corn farmers, the policy change was implemented as follows:
 - The Government of Mexico (GOM) would allow imports slightly higher than the TRQ (e.g., 2501.6) to legitimately impose the higher out-quota rate of 194%.
 - Equilibrium would be forced in the model by letting production as the residual. This suggests that the implied production response is smaller than if the behavioral supply equation is allowed to respond fully to the higher corn prices due to the 194% duty.
 - Or equivalently, if the full production response were allowed, this change in policy regime would imply that the GOM would have to carry excess stocks if a higher protection is desired.

Results⁷

Corn prices in Mexico would increase by approximately 200%. This would put upward pressure on prices of food products that contain corn and have a dramatic impact on poor consumers and the rate of food price inflation. Inflation in Mexico would rise by 1 full percentage point. In our baseline, inflation in Mexico is projected to be 3.76%. Under the analysis, this would rise to 4.76%. We used the share of total corn products in the Wholesale Price Index (1.18%) and an additional assumption that 42.5% of consumer expenditure is accounted for by farm value and that marketing costs account for the rest. The impact on inflation would be higher if this share is higher. Per-capita consumption of corn would fall 13% as poorer consumers encounter significant budget problems.

Product	Weight in the National Wholesale Price Index*
Corn	0.024235
Corn flour	0.006745
Corn tortillas	1.130022
Corn starch	0.017458
Total corn	0.018

** Numbers already in percentage; they add up to 100 for the whole index.*

Faced with higher corn prices, the Mexican pork and poultry industries would attempt to switch to less expensive feed sources such as sorghum. However, because these alternative feeds are not as efficient as corn, production costs would rise 30% for pork producers and 20% for broiler producers.

Because of higher feed costs and continued imports of tariff-free U.S. pork and poultry, the competitiveness of the Mexican livestock sector would diminish and the industry would begin to decline. By 2015 the Mexican pork industry would contract by 18% and the Mexican poultry industry by 14%. Ironically, this production shortfall would be met by a surge of imports from the United States, and pork and poultry consumption in Mexico would not be significantly different from the level in the baseline. Assuming a fixed coefficient of labor in poultry production, a 14% drop in poultry output would release 142,800 laborers from the poultry sector. An 18% drop in the Mexican pork industry would result in the loss of 60,480 jobs from that sector. The total job loss for the two sectors, therefore, would be 203,280.

U.S. sorghum exports to Mexico would rise 40%, and pork and poultry exports would grow about 10%. U.S. corn exports, on the other hand, would fall about 9%.

⁷ As mentioned previously, at the time of writing we are unsure about the likely level of protection that is being considered. If the Mexican Government imposes a lower level of protection than that described above, then the results presented here will be proportionately lower.

While the overall effect would be positive for Mexican corn producers, it would be devastating for low-income Mexicans and for the Mexican livestock sector. In the process, high-skilled jobs in the livestock sector would be lost as poorly paid employment in corn production increases.

Supporting data from the model used for this analysis is in Attachment 2.

It is important to note that this analysis does not take into account the effect on other segments of Mexican agriculture or the Mexican economy in general that would result from the compensatory removal from NAFTA by the United States of certain Mexican products. Subsequent sections explore the likely U.S. response to the removal from NAFTA by Mexico of corn and several other import-sensitive products.

IV. Analysis of Potential U.S. Reaction to Mexican Proposal to Renegotiate the NAFTA, and Potential U.S. Reaction to Increases in Mexican Import Duties on Corn and Dry Edible Beans.

By way of background, there are only two ways under NAFTA of increasing tariffs temporarily, and those are for emergency safeguard purposes. There are no NAFTA provisions for permanently raising tariffs or removing certain products from the Agreement altogether except by withdrawing from NAFTA entirely.⁸

Chapter Eight of NAFTA includes provisions for the parties to take safeguard measures either on a bilateral or global basis. Both the Bilateral and Global Actions provisions would require Mexico to notify the United States of any proceeding that would lead to a safeguard action and to consult with the United States with regard to such proceeding. Importantly, both of these measures require Mexico to make a determination of injury consistent with NAFTA and with Mexico's domestic laws on coming to such a finding. The determination of injury is to be made by Mexico's Ministry of Trade and Industrial Development or its successor. Mexico cannot simply determine arbitrarily that there is injury to the domestic industry. Nor can it, on the basis of such a determination, decide to remove a product or products from the agreement.

Under the Bilateral Actions provisions, Mexico would be allowed to increase tariffs on U.S. products if Mexico's Ministry of Trade and Industrial Development determined that a reduced or eliminated duty resulted in increased imports that caused or threatened serious injury to domestic industries. However, this safeguard measure is limited to specified conditions, and applying it after the end of the transition period requires the consent of the United States. In the unlikely event that the United States consented, Mexico would be allowed to either: (i) suspend any reduction in duty; or (ii) increase the duty on a U.S. product. The duty increase would be limited to the lesser of either (a) the current WTO bound

⁸ Article 2205 states: "A Party may withdraw from this Agreement six months after it provides written notice of withdrawal to the other Parties. If a Party withdraws, the Agreement shall remain in force for the remaining Parties."

rate or (b) the WTO bound rate prior to January 1994 (the date NAFTA entered into force).

Safeguard measures for most goods are allowed for a maximum of three years. In the case of corn and beans, they may be imposed for one additional year, provided the duty is "substantially reduced" at the start of the one-year extension. In addition, Mexico would be required to provide the United States with concessions substantially equal to the value of the additional duty. The United States and Mexico would have to reach agreement on the compensation, but if they could not agree, the United States could on its own to take action with a substantially equivalent effect as Mexico's tariff increase.

The Global Actions provisions allow Mexico to impose safeguard measures, consistent with GATT Article XIX, against imports from all countries. Mexico may only include the United States in a global action if:

- (1) Imports from the United States account for a substantial share of total imports; and
- (2) These imports, either individually or together with imports from Canada (in exceptional circumstances), contribute importantly to the serious injury resulting from imports.

Imports from the United States may not be considered in a global safeguard action if the United States is not among the top five exporters of the product to Mexico and the imports from the United States have grown at a rate "appreciably lower" than the rate of total imports in the same period. Mexico consistently ranks as the second or third largest market for U.S. corn. Indeed, the United States accounted for virtually 100 percent of Mexico's corn imports in the marketing year 2003/04. U.S. corn imports would likely be included in a global safeguard action if the action were consistent with GATT.

A safeguard measure undertaken by Mexico consistent with the provisions of Chapter Eight may be taken to dispute settlement under NAFTA, but the United States cannot request a NAFTA Arbitral Panel for any proposed emergency action.

A. Likely Reaction by the United States to a Request from Mexico to Renegotiate NAFTA.

It is clear that the United States will not be willing to renegotiate NAFTA to provide for new exceptions or exclusions for specific products. In addition to the economic harm this would do to producers of commodities directly affected by removing them from the Agreement, the Administration also would have to deal with requests from many domestic producers seeking to have their commodities removed from the agreement as well. The sugar industry, for example, reportedly is already planning to press for an exemption from full free trade when that is scheduled to occur for sugar from Mexico in 2008. The fallout of such an exercise for the Administration's trade agenda would be extremely negative, with repercussions for all other free trade agreements as well – both those already implemented and those under negotiation.

This would leave Mexico with two options: It could take unilateral action outside the bilateral agreement or withdraw from the NAFTA completely. Since no presidential candidate in Mexico has expressed support for complete withdrawal (the only legal recourse), we will examine the implications of a unilateral withdrawal of selected key products.

B. Likely U.S. Reaction if Mexico Unilaterally Withdraws NAFTA Tariff Concessions on Corn or Any Other Product.

1. Legal Basis for U.S action Against Mexico Under NAFTA.

NAFTA's Dispute Settlement provisions would allow the United States to bring an action to a NAFTA Panel if it considers "an actual or proposed measure" of Mexico to be inconsistent with Mexico's NAFTA obligations. Thus, the United States could bring an action to a NAFTA Panel even before Mexico adopts legislation to increase tariffs.

The removal of products from NAFTA and the resulting increase in tariffs applied to those products certainly would be inconsistent with NAFTA obligations regarding tariff elimination. It is difficult to imagine that a NAFTA Panel would come to any other conclusion. After a Panel ruling, the United States and Mexico would be given 30 days to resolve the matter bilaterally. The only logical and acceptable outcome from the perspective of the U.S. would be reincorporation of the withdrawn products into NAFTA.

If the United States and Mexico were unable to resolve the dispute within 30 days of receiving the Panel's final report, the United States would be authorized to suspend NAFTA benefits to Mexico having equivalent effect as the NAFTA benefits the U.S. lost. In short, this means the U.S. would raise tariffs by a corresponding amount on an equivalent value of imports from Mexico. The United States would be expected to first seek to suspend benefits to Mexico in the same sector (in this case, in agriculture), but if this is not "practicable or effective," the United States could suspend benefits in other sectors.⁹

2. Likelihood of Political vs. Legally Based Action by the United States Against Mexico.

The legally based option described above has been used in the past when actions by one party to the NAFTA have been viewed as nullifying or impairing the benefits of another party. Examples of such actions are dumping or countervailing duty cases in which the exporting country believes the calculation of dumping margins or subsidies, or the determination of injury, were done inappropriately so as to ensure that antidumping or countervailing duties are applied. Responding to such actions using the legally based dispute-settlement provisions of the NAFTA (or the WTO) is the standard and customary procedure for obtaining redress.¹⁰

⁹ Mexico may challenge the suspension of benefits if they are "manifestly excessive."

¹⁰ Mexico has attempted to impose trade barriers using dumping findings on a number of U.S. agricultural products. In most cases, these actions were successfully challenged by the U.S. For example (next page):

There is no precedent, however, for responding to a flagrant violation of the Agreement, which is what unilateral removal of selected products from NAFTA surely would be. While it would, of course, be possible to pursue the legally based option, it is far more likely that the United States¹¹ would move almost immediately to reimpose or raise tariffs on Mexican products of equal value and political and economic sensitivity. Congress likely would enact legislation that would respond in kind to the imposition of tariffs by Mexico on corn, dry edible beans or other important U.S. export products.

Under such a scenario, the risk is high that Congress might overreach with respect to the level of U.S. retaliation. Guidance from the Administration would be necessary to ensure that the U.S. response was balanced. Otherwise, the two sides would likely find themselves in a tit-for-tat exercise of ever-expanding tariff increases.

Two likely outcomes from this course of action are possible. One is that the NAFTA would fall apart and the two countries would reimpose MFN tariffs on all products from each other. The second is that the two sides would find an accommodation whereby both presumably accept the removal of key products from the free trade agreement.

As mentioned previously, the latter scenario would result in serious difficulties for the United States in negotiating new free trade agreements and perhaps in maintaining full product coverage in existing agreements, given the intense political pressure that would arise in response to the precedent established by removing products from NAFTA. It also could call into question the legitimacy of NAFTA under WTO rules governing free trade agreements. Those rules require that a free trade agreement cover “substantially all trade” between the parties.

3. Potential U.S. Targets for Retaliation Against Mexico

The following charts attempt to match up the value of trade in corn and dry edible beans with one or more Mexican products exported to the United States. This provides one basis – the types of products that might be targeted – for assessing how the United States might respond to Mexico removing certain U.S. export products from the NAFTA. The purpose in presenting these charts is to gain a sense of the magnitude of the trade involved on both sides and, using that

-
- In 1998, Mexico imposed antidumping duties on imported U.S. high fructose corn syrup. The duties were successfully challenged before both NAFTA and WTO panels.
 - Mexico imposed antidumping duties on U.S. beef in April 2000. The U.S. challenged the measure in the WTO and won the case.
 - Mexico imposed antidumping duties on U.S. white long grain rice in June 2002. The U.S. challenged the duties in the WTO, simultaneously with challenging beef duties, and won the case.
 - The United States challenged the imposition of anti-dumping duties on U.S. swine. Mexico withdrew the order as a result of this challenge.

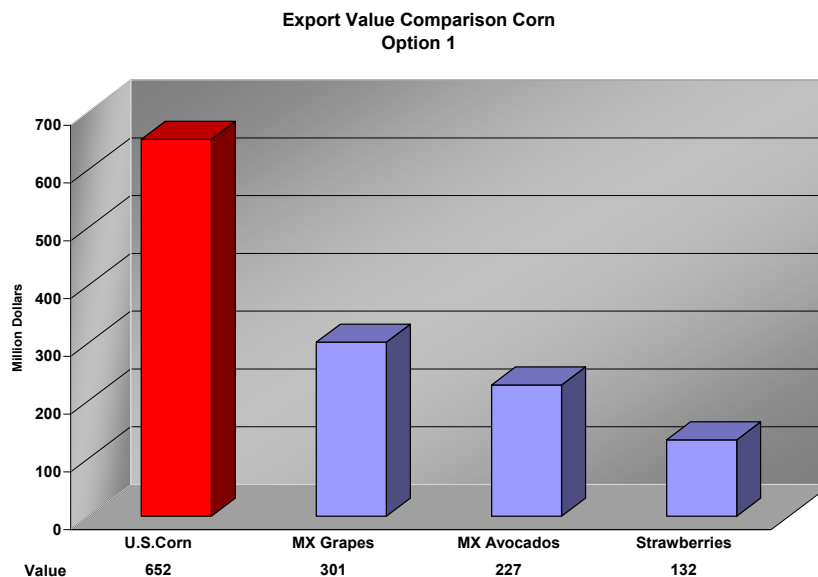
¹¹ It is also possible, depending on the products involved, that goods from Canada also could be affected. The discussion of the implications of Mexico withdrawing certain products from NAFTA, however, focuses on bilateral trade between the U.S. and Mexico.

information, to identify possible Mexican exports that individually or collectively would equal the value of each U.S. export product.

Actual retaliation would also, of necessity, take into account the tariff levels that are involved – that is, the trade-restrictive effect of the new Mexican tariffs on U.S. products. Hence, the U.S. could retaliate against a smaller value of Mexican imports but impose a tariff with a greater trade-restrictive effect (up to the MFN level). Conversely, it could retaliate against a larger value of Mexican products but with a lesser tariff.

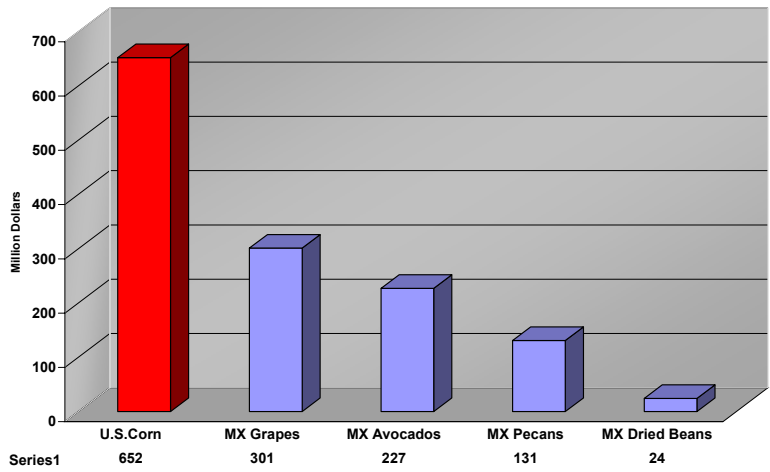
It is important to note that there generally is a political element to any decision with respect to a trade retaliation list.¹² This could involve targeting products of certain Mexican states or adding non-agricultural products of special interest to Mexico. In the former case, for example, the states could be those of politicians who support the removal of corn or beans from NAFTA. In the latter case, products such as beer, tequila, or shrimp could be targeted. This analysis does not attempt to take those considerations into account.

The charts below show several options for U.S. retaliation. The blue bars show imports of Mexican products that, added together, approximate the level of trade in the product of concern to the United States (in red). As mentioned above, this is one element of determining – from a purely mathematical perspective – the appropriate form and level of retaliation; the other element is the respective MFN (or otherwise new) tariffs that would be imposed. For Mexico, those would be the tariffs after withdrawing the U.S. product from NAFTA, and for the United States the tariffs would be retaliatory. This is discussed later.

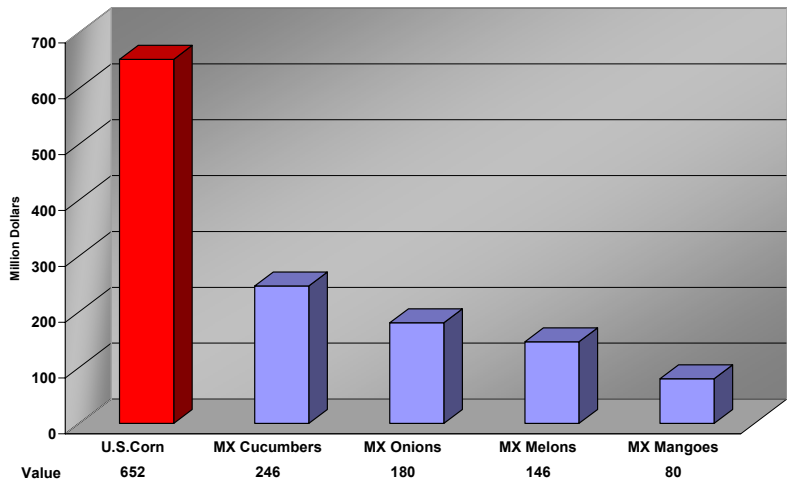


¹² Just as certain members states of the European Union have been singled out for more targeted treatment in U.S. retaliatory actions against the EU, and just as the EU has been selective in its retaliation against the U.S. in certain cases to maximize the political effect, so would the U.S. be likely to select products of particular political sensitivity in Mexico.

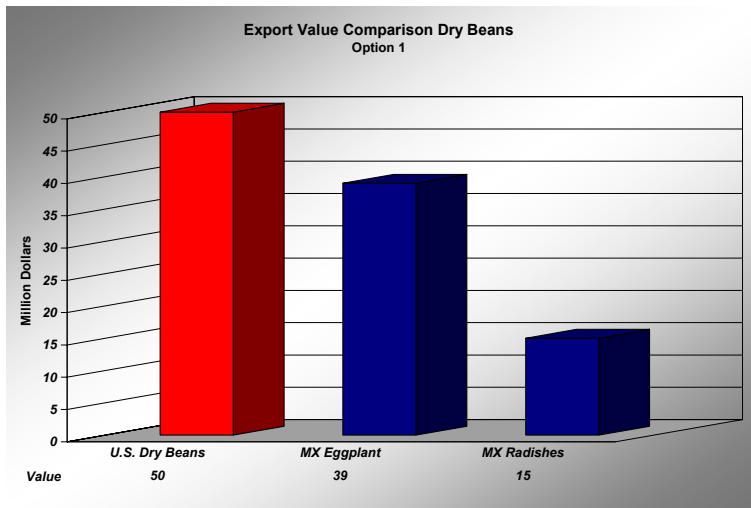
Export Value Comparison Corn
Option 2

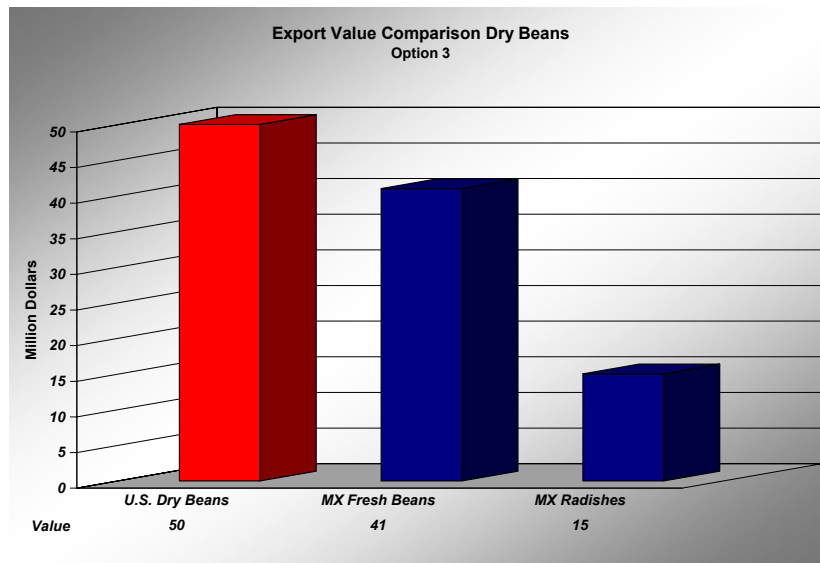
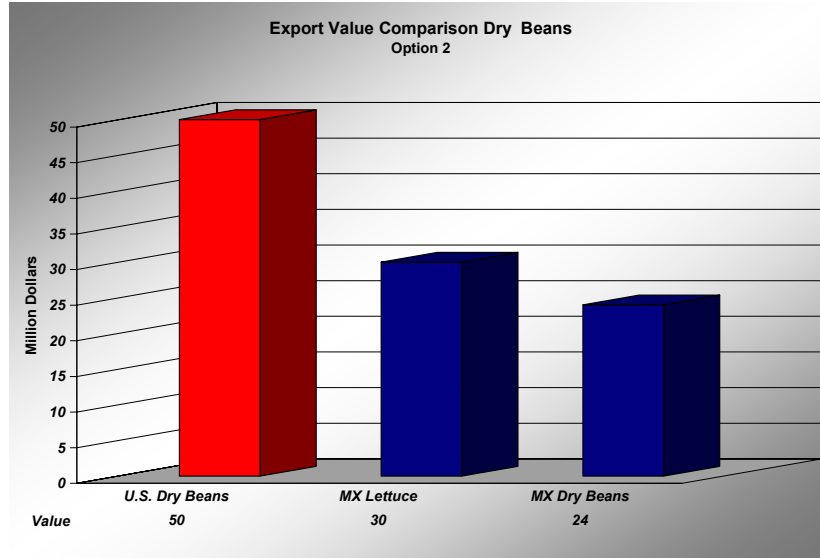


Export Value Comparison Corn
Option 3



Export Value Comparison Dry Beans
Option 1





The preceding charts provide a simple comparison of the bilateral trade balance between U.S. corn and dry bean exports, on the one hand, and U.S. imports of certain Mexican products, on the other. U.S. retaliation would not be carried out on this simple basis, however, because the level of the respective tariffs also would have to be taken into account. However, it is a good starting point for assessing the types of Mexican products that would be put at risk if either corn or dry beans were removed from NAFTA. In fact, the number of products against which the United States could retaliate would be much larger, since U.S. MFN tariffs are much lower than Mexican MFN tariffs. This is discussed in the following section.

4. Likely Level of U.S. Retaliation, Given Different Tariff Increase Scenarios on Corn and Dry Edible Beans.

Below are Mexican and U.S. MFN tariffs on the products under review. Although a few of these products currently continue to face modest or minimal

tariffs under NAFTA, by the end of 2007 all such tariffs on U.S.-Mexico trade are scheduled to be eliminated. The expectation of zero tariffs by that date must therefore be considered a legal right for both parties to the Agreement.

Although the economic impact analysis in a previous section assumed that full MFN tariffs would be imposed in place of the zero tariffs that are to be applied by the end of 2007, the analysis of potential U.S. retaliation below considers two scenarios: that Mexico applies either full MFN tariffs or tariffs that are equal to 50% of the MFN rate.

Mexican MFN Tariffs on Corn and Dry Edible Beans	
<i>Product</i>	<i>MFN Tariff</i>
Beans and Peas, Dried	<i>Not less than 125.1%</i> ¹³
Corn	
In-Quota	50%
Out-Quota	194%
[Our assumption of new tariff level]	[37%]

U.S. MFN Tariffs on Selected Products of Interest to Mexico		
<i>Product</i>	<i>MFN Tariff</i>	<i>Ad Valorem Equivalent</i> ¹⁴
Asparagus, Fresh or Frozen	14.90%	14.9%
Avocados	11.2¢/kg	8.5%
Beans, Dried	0 to 1.5¢/kg	1.5%
Cauliflower/Broccoli, Frz, Fresh	2.5 to 14.9%	2.5 to 14.9%
Citrus, Fresh (Limes)	0.8%	0.8%
Cucumbers	4.2 to 5.6¢/kg	11.9%
Eggplant	1.9 to 2.6¢/kg	3.1%
Grapes-Fresh	7%	7.0%
Lettuce	0.4 to 3.7¢/kg	8.7%
Mangoes	13.2¢/kg	8.5 and 12.6%
Melons	1.6 to 29.8%	1.6 to 29.8%
Onions	0.83 to 3.1¢/kg	5.6%
Pecans	8.8 to 17.6¢/kg	4.0%
Peppers	0 to 5¢/kg	4.3%
Radishes, Fresh	2.7%	2.7%
Squash	1.5¢/kg	2.2%
Strawberries, Fresh or Frozen	0.2¢/kg	0.2 to 11.2%
Tomatoes	0 to 1.5¢/kg	2.5 to 4.7%

As can be seen, Mexican MFN tariffs tend to be significantly higher than U.S. MFN tariffs. Therefore, to offset the trade effect of reimposed Mexican MFN

¹³ Most Mexican tariff lines for various types of dry beans have a MFN tariff of 36%, but the tariff line here represents the category of beans of greatest sensitivity. If Mexico were to impose a lower level of tariff, the level of U.S. retaliation would be proportionately lower.

¹⁴ Source is the U.S. International Trade Commission on-line tariff search system:
<http://dataweb.usitc.gov/scripts/tariff2000.asp>

tariffs on key U.S. exports and to reestablish the balance in trading rights, the United States would have to retaliate on a larger number of Mexican imports.

One methodology for quantifying the trade impact of tariff increases or decreases is the "tariff collected" method, under which existing trade is multiplied by existing or proposed tariffs to quantify the trade impact of duty changes.

Using this methodology, following are some examples of possible U.S. retaliation for increased Mexican duties on selected U.S. products.¹⁵

Scenario 1: Mexico increases duty on corn to a flat 37%, the WTO bound rate Mexico applies to corn imports not subject to the TRQ.

Value of U.S. corn exports to Mexico (2005):	\$652 million
Mexico WTO bound duty on corn:	37%
Trade Impact on U.S. of duty withdrawal:	\$241.2 million

Potential U.S. Retaliatory Response: Increasing U.S. import duties on all major Mexican fruit and vegetable exports to the United States identified in this paper, excluding two products (Mexican avocados and onions). This would yield a U.S. retaliation figure of \$243.6 million, roughly equal to the trade impact of Mexico imposing the WTO bound rate of duty on U.S. corn.

In other words, a possible U.S. response to an increase in the Mexican import duty for corn could be to increase import duties on the vast majority of Mexican fruit and vegetable exports to the United States.

(Note: See Attachment 3 for detailed U.S. retaliation calculations.)

Scenario 2: Mexico increases import duty applied to U.S. corn to 18.5%, half of MFN rate on non-TRQ corn.

Value of U.S. corn exports to Mexico (2005):	\$652 million
Applied Duty on U.S. corn:	18.5%
Trade Impact on U.S. of duty withdrawal	\$120.6 million

Potential U.S. Retaliatory Response: Increasing U.S. import duties on Mexican tomatoes, green peppers, grapes, cucumbers, and onions. This would yield a U.S. retaliation figure of \$118.2 million, roughly equal to the trade impact of Mexico imposing the 18.5% duty on U.S. corn.

¹⁵ Under NAFTA, by January 2008 all such tariffs on U.S.-Mexico trade are scheduled to be eliminated. As noted, the expectation of zero tariffs by that date must therefore be considered a legal right for both parties to the Agreement. Our analysis is based on that assumption. If, however, Mexico were to increase tariffs on corn or beans before January 2008 and therefore before the implementation of zero tariffs, U.S. retaliation would be adjusted downward slightly during that short interim period.

Scenario 3: Mexico withdraws dry beans from NAFTA, increasing duty to minimum WTO bound rate on dry beans of 125.1%.

Value of U.S. dry bean exports to Mexico (2005): \$50 million
Mexico WTO bound duty on dry beans: 125.1%¹⁶
Trade Impact on U.S. of duty withdrawal: \$50 million

Potential U.S. retaliatory response: Increasing import duties on Mexican tomatoes, onions and citrus would have a trade impact of \$47.8 million, roughly equal in impact to Mexican withdrawal of tariff concessions on U.S. dry beans.

Scenario 4: Mexico increases import duty applied to U.S. dry beans to 62.5%, half of Mexican minimum WTO bound rate on dry beans of 125.1%.

Value of U.S. dry bean exports to Mexico (2005): \$50 million
Mexico WTO bound duty on dry beans: 62.5%
Trade Impact on U.S. of duty withdrawal: \$31.2 million

Potential U.S. retaliatory response: Increasing import duties on Mexican grapes, pecans and squash would have a trade impact of \$29.9 million, roughly equal in impact to establishment of a 62.5% duty on U.S. dry beans.

Scenario 5: Mexico applies a flat duty on corn of 37% and the minimum WTO bound rate on dry beans of 125.1%.

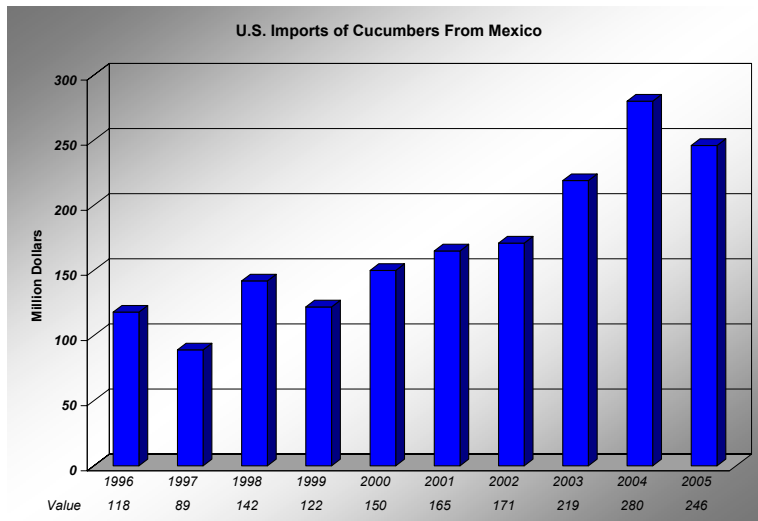
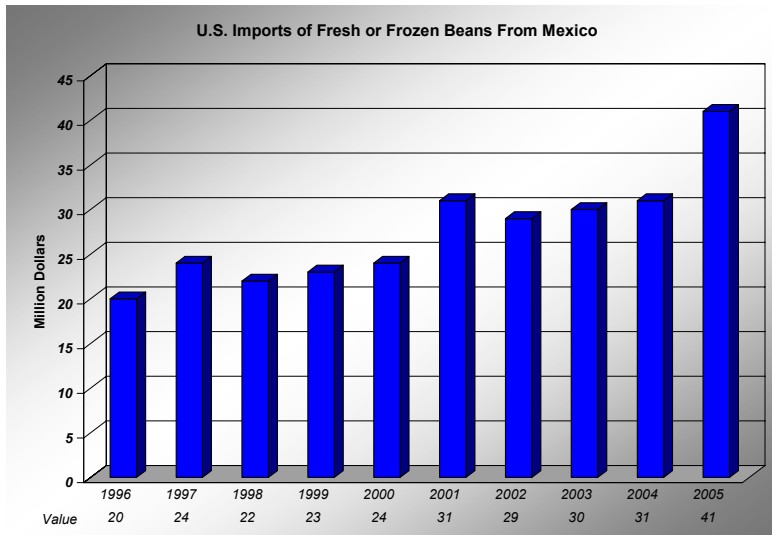
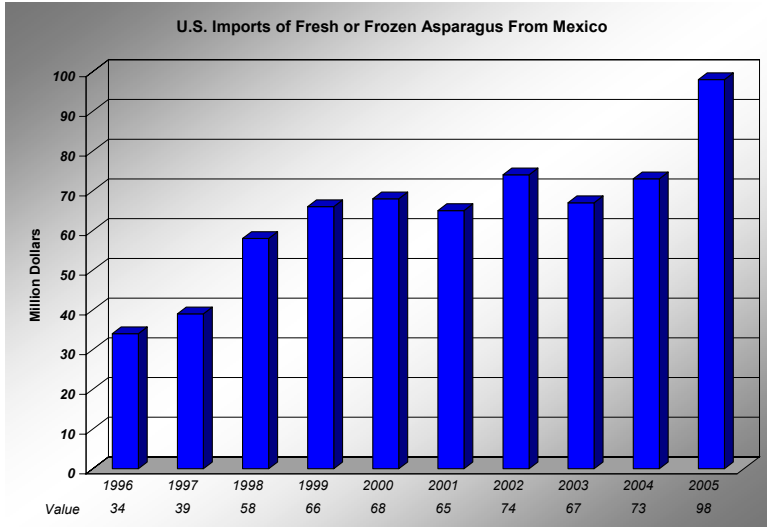
Trade Impact on U.S. of duty withdrawal: \$291.2 million (Scenario 1 plus Scenario 3 combined impact.)

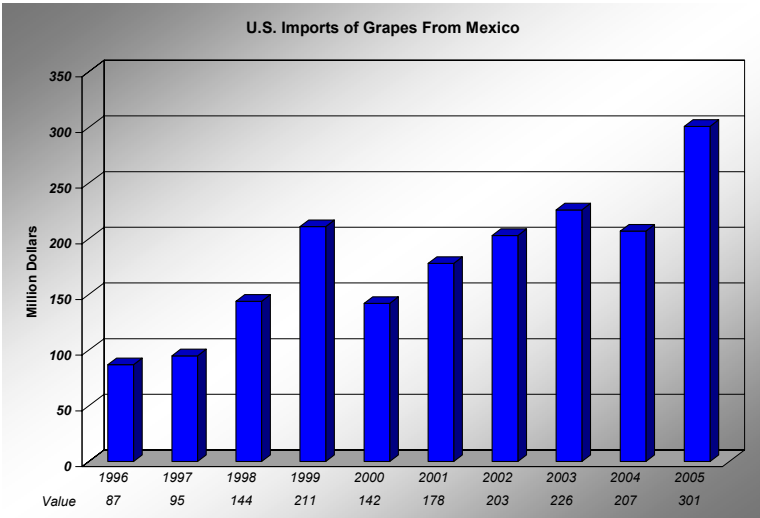
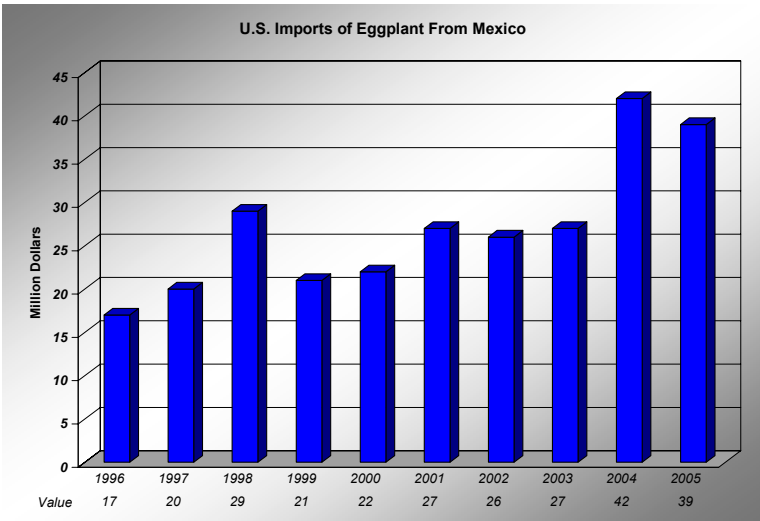
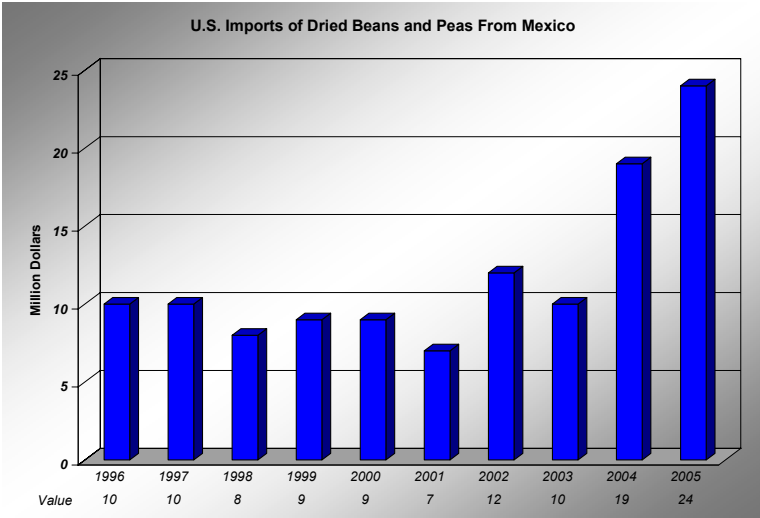
Potential U.S. retaliatory response: If the U.S. increased import duties on all major Mexican fruit and vegetable exports to the United States listed in this paper, the trade impact would only reach \$272.8 million. U.S. withdrawal of trade concessions on fruits and vegetable imports from Mexico therefore would not be sufficient to cover the trade impact associated with Mexican withdrawal of the NAFTA corn and dry bean concessions (\$291.2 million). The United States would in this case also consider withdrawal of U.S. NAFTA tariff concessions on additional products.

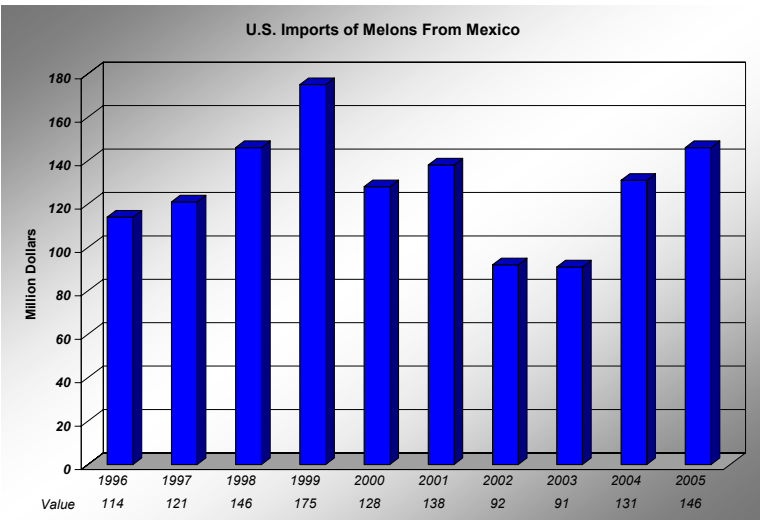
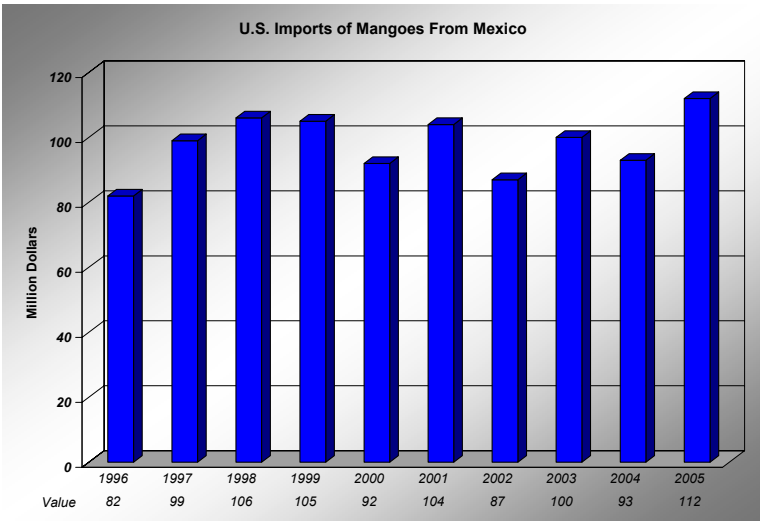
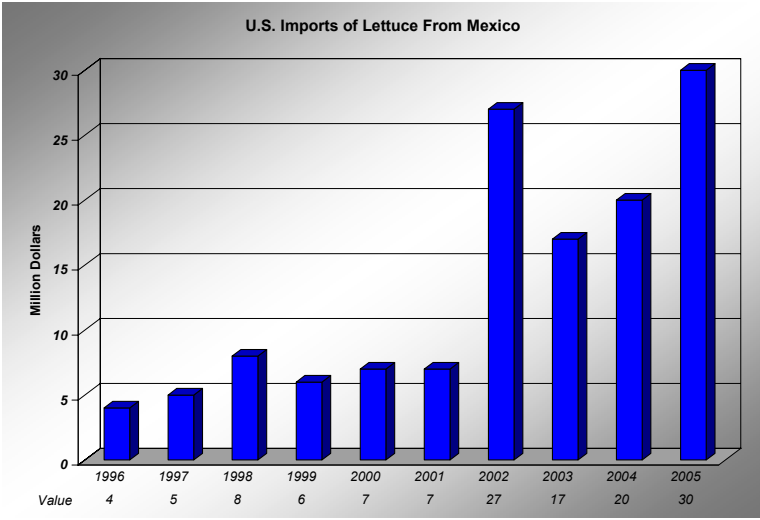
¹⁶ As mentioned in a previous footnote, most Mexican tariff lines for various types of dry beans have a MFN tariff of 36%, but this tariff line represents the category of beans of greatest sensitivity. If Mexico were to impose a lower level of tariff, the level of U.S. retaliation would be proportionately lower.

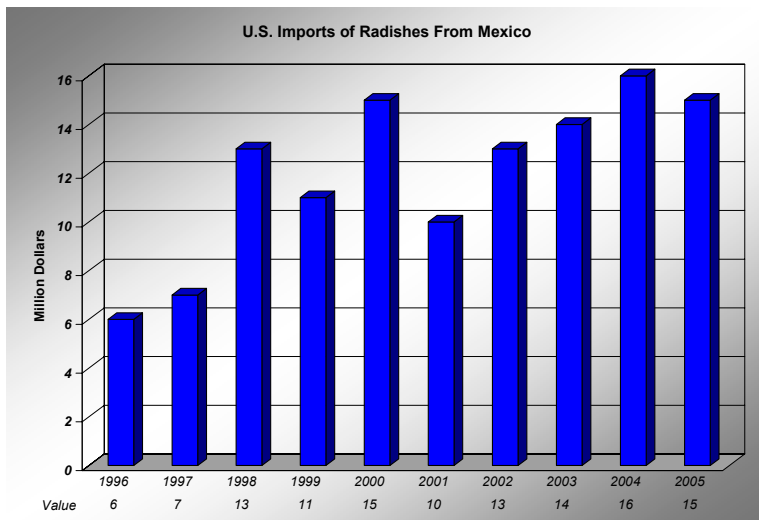
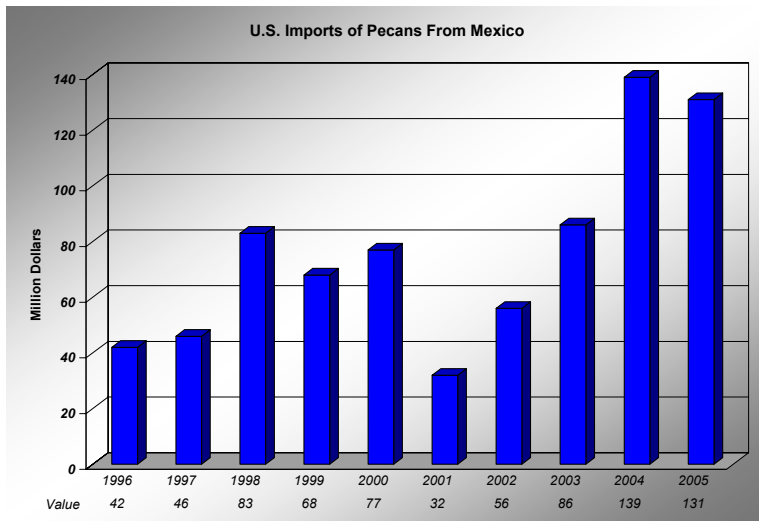
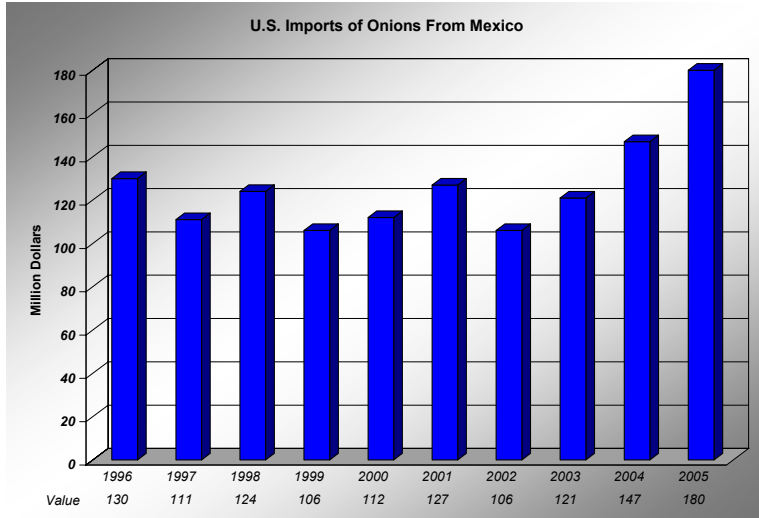
ATTACHMENT 1

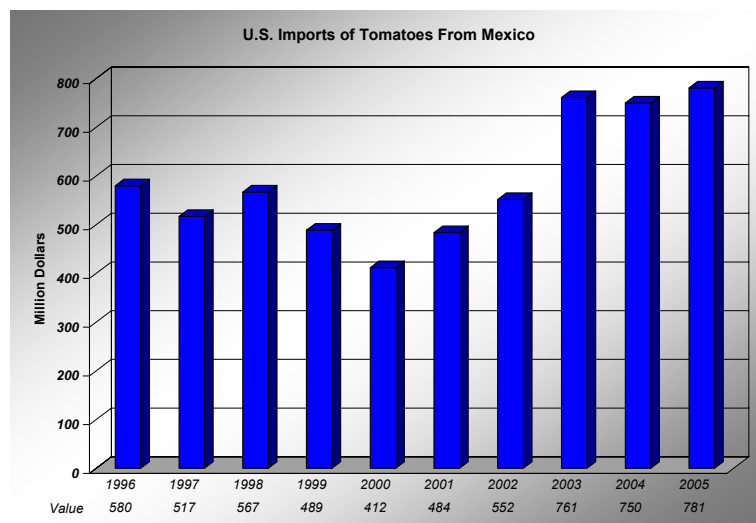
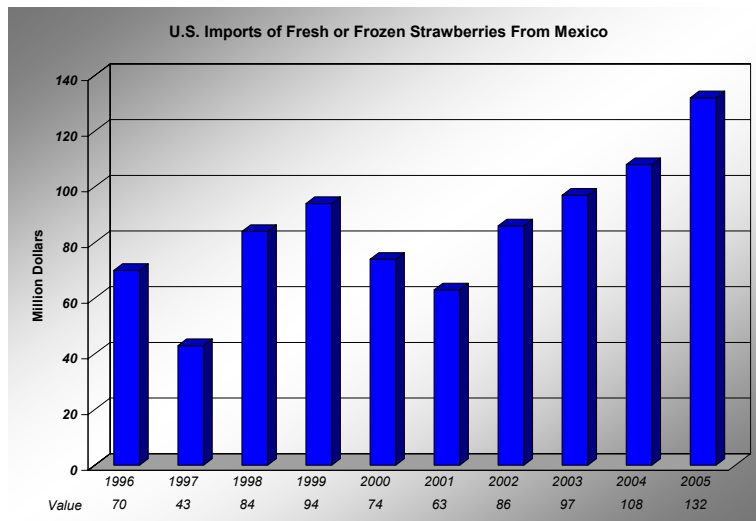
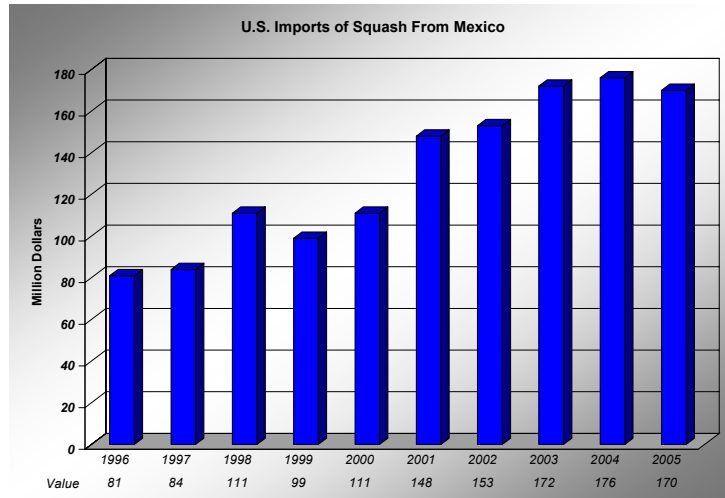
**Supplementary Charts on the Growth in U.S. Imports of Key
Mexican Horticultural Products.**











ATTACHMENT 2

Supporting Data for Section III Economic Analysis

Table 1. Impact of NAFTA withdrawal on Mexico's corn sector

Item	Units	2007	2015	Average	Maximum
World Corn Price					
Scenario	\$ per mt	102	115	110	115
Baseline	\$ per mt	104	117	112	117
Change	\$ per mt	-2	-2	-2	-1
Percent Change	Percent	-1.48	-2.09	-1.52	-1.13
Corn Price					
Scenario	Peso per mt	3,209	4,656	3,972	4,656
Baseline	Peso per mt	1,184	1,596	1,378	1,596
Change	Peso per mt	2,026	3,060	2,594	3,060
Percent Change	Percent	171.10	191.69	187.08	194.56
Corn Production					
Scenario	Tmt	22,405	26,856	24,200	26,856
Baseline	Tmt	22,023	23,405	22,720	23,405
Change	Tmt	381	3,452	1,480	3,452
Percent Change	Percent	1.73	14.75	6.43	14.75
Corn Import					
Scenario	Tmt	2,502	2,502	2,502	2,502
Baseline	Tmt	6,854	11,695	8,951	11,695
Change	Tmt	-4,352	-9,194	-6,449	-4,206
Percent Change	Percent	-63.50	-78.61	-71.07	-62.71
Corn Total Use					
Scenario	Tmt	25,063	29,330	26,778	29,330
Baseline	Tmt	28,897	35,088	31,678	35,088
Change	Tmt	-3,835	-5,758	-4,900	-2,958
Percent Change	Percent	-13.27	-16.41	-15.37	-10.35
Corn Feed Use					
Scenario	Tmt	11,197	14,768	12,696	14,768
Baseline	Tmt	13,208	18,466	15,565	18,466
Change	Tmt	-2,011	-3,698	-2,869	-1,411
Percent Change	Percent	-15.22	-20.03	-18.17	-10.88
Corn Per Capita Use					
Scenario	kg per person	128	123	125	131
Baseline	kg per person	144	140	143	145
Change	kg per person	-17	-17	-18	-14
Percent Change	Percent	-11.63	-12.39	-12.60	-9.92

Table 2. Impact of NAFTA withdrawal on Mexico's sorghum sector

Item	Units	2007	2015	Average	Maximum
World Sorghum Price					
Scenario	\$ per mt	113	126	120	126
Baseline	\$ per mt	109	123	116	123
Change	\$ per mt	4	3	4	5
Percent Change	Percent	3.85	2.27	3.16	4.19
Sorghum Price					
Scenario	Peso per mt	1,286	1,749	1,495	1,749
Baseline	Peso per mt	1,238	1,710	1,450	1,710
Change	Peso per mt	48	39	45	55
Percent Change	Percent	3.85	2.27	3.16	4.19
Sorghum Production					
Scenario	Tmt	5,765	5,842	5,774	5,953
Baseline	Tmt	6,039	6,343	6,185	6,343
Change	Tmt	-274	-501	-411	0
Percent Change	Percent	-4.54	-7.90	-6.61	0.00
Sorghum Import					
Scenario	Tmt	5,158	5,447	5,276	5,447
Baseline	Tmt	3,342	3,562	3,304	3,562
Change	Tmt	1,816	1,885	1,972	2,220
Percent Change	Percent	54.35	52.91	60.11	72.23
Sorghum Total Use					
Scenario	Tmt	10,932	11,286	11,051	11,286
Baseline	Tmt	9,386	9,903	9,490	9,903
Change	Tmt	1,546	1,383	1,561	1,763
Percent Change	Percent	16.47	13.97	16.49	19.12
Sorghum Feed Use					
Scenario	Tmt	10,830	11,174	10,945	11,174
Baseline	Tmt	9,284	9,791	9,383	9,791
Change	Tmt	1,546	1,383	1,561	1,763
Percent Change	Percent	16.65	14.13	16.67	19.34

Table 3. Impact of NAFTA withdrawal on Mexico's pork sector

Item	Units	2007	2015	Average	Maximum
World Pork Price					
Scenario	\$ per cwt	40.49	50.63	46.65	50.63
Baseline	\$ per cwt	39.82	49.54	45.64	49.54
Change	\$ per cwt	0.67	1.09	1.00	1.22
Percent Change	Percent	1.68	2.21	2.19	2.51
Pork Price					
Scenario	Peso per kg	20	30	25	30
Baseline	Peso per kg	19	29	24	29
Change	Peso per kg	0	1	1	1
Percent Change	Percent	1.65	2.16	2.14	2.46
Pork Production					
Scenario	Tmt	1,094	1,292	1,150	1,292
Baseline	Tmt	1,181	1,581	1,347	1,581
Change	Tmt	-88	-289	-197	-54
Percent Change	Percent	-7.42	-18.30	-14.19	-4.62
Pork Import					
Scenario	Tmt	663	854	756	854
Baseline	Tmt	582	575	569	591
Change	Tmt	81	279	188	279
Percent Change	Percent	13.98	48.64	32.89	48.64
Pork Total Use					
Scenario	Tmt	1,701	2,091	1,852	2,091
Baseline	Tmt	1,708	2,101	1,860	2,101
Change	Tmt	-6	-10	-9	-4
Percent Change	Percent	-0.37	-0.47	-0.48	-0.26
Pork Per Capita Use					
Scenario	kg per person	15.65	17.62	16.35	17.62
Baseline	kg per person	15.71	17.70	16.43	17.70
Change	kg per person	0	0	0	0
Percent Change	Percent	-0.37	-0.47	-0.48	-0.26
Pork Cost Index					
Scenario	Index	224	305	262	305
Baseline	Index	173	231	199	231
Change	Index	51	74	63	74
Percent Change	Percent	29.16	32.20	31.65	33.06

Table 4. Impact of NAFTA withdrawal on Mexico's poultry sector

Item	Units	2007	2015	Average	Maximum
World Poultry Price					
Scenario	\$ per cwt	62.87	62.50	62.53	65.94
Baseline	\$ per cwt	62.51	62.21	62.13	65.52
Change	\$ per cwt	0.36	0.29	0.40	0.47
Percent Change	Percent	0.58	0.47	0.65	0.77
Poultry Price					
Scenario	Perso per kg	22	25	23	25
Baseline	Perso per kg	21	25	23	25
Change	Perso per kg	0	0	0	0
Percent Change	Percent	0.40	0.33	0.45	0.54
Poultry Production					
Scenario	Tmt	2,443	2,861	2,586	2,861
Baseline	Tmt	2,696	3,321	2,951	3,321
Change	Tmt	-252	-460	-365	-155
Percent Change	Percent	-9.36	-13.85	-12.22	-5.89
Poultry Import					
Scenario	Tmt	643	989	828	989
Baseline	Tmt	388	523	459	523
Change	Tmt	255	466	369	466
Percent Change	Percent	65.55	89.03	79.12	91.54
Poultry Total Use					
Scenario	Tmt	3,086	3,851	3,415	3,851
Baseline	Tmt	3,084	3,844	3,411	3,844
Change	Tmt	2	6	4	6
Percent Change	Percent	0.07	0.16	0.11	0.16
Poultry Per Capita Use					
Scenario	kg per person	28.39	32.44	30.15	32.44
Baseline	kg per person	28.37	32.39	30.12	32.39
Change	kg per person	0.02	0.05	0.03	0.05
Percent Change	Percent	0.07	0.16	0.11	0.16
Poultry Cost Index					
Scenario	Index	268	365	312	365
Baseline	Index	224	300	257	300
Change	Index	44	65	55	65
Percent Change	Percent	19.58	21.62	21.25	22.20

Table 5. Impact of NAFTA withdrawal on U.S. exports

Item	Units	2007	2015	Average	Maximum
US Pork Exports					
Scenario	Million lbs	2,868	3,512	3,149	3,512
Baseline	Million lbs	2,825	3,192	2,964	3,193
Change	Million lbs	43	320	185	320
Percent Change	Percent	1.53	10.03	6.07	10.03
US Poultry Exports					
Scenario	Million lbs	5,967	7,729	6,734	7,729
Baseline	Million lbs	5,666	7,015	6,227	7,015
Change	Million lbs	301	714	508	714
Percent Change	Percent	5.32	10.18	8.00	10.18
US Beef Exports					
Scenario	Million lbs	1,319	2,409	2,004	2,450
Baseline	Million lbs	1,329	2,330	1,978	2,395
Change	Million lbs	-10	79	26	79
Percent Change	Percent	-0.78	3.39	1.18	3.39
US Corn Exports					
Scenario	Million Bushel	1,867	2,281	1,987	2,281
Baseline	Million Bushel	1,947	2,514	2,143	2,514
Change	Million Bushel	-80	-233	-156	-80
Percent Change	Percent	-4.12	-9.28	-7.13	-4.12
US Sorghum Exports					
Scenario	Million Bushel	207	232	216	232
Baseline	Million Bushel	154	174	157	174
Change	Million Bushel	53	58	59	64
Percent Change	Percent	34.41	33.42	37.66	43.98

Units used:

Mt - metric tons

Kg - kilograms

Lbs - pounds

Tmt - thousand metric tons

Cwt - hundredweight

ATTACHMENT 3

Calculating the Effects of Possible Tariffs Increases on Mexican Fruits and Vegetables

Value of U.S. imports of Mexican tomatoes:	\$781 million
Highest U.S. WTO bound duty on tomatoes (AVE):	4.7%
Trade Impact of Duty Increase	\$36.7 million
Value of U.S. imports of Mexican green peppers:	\$497 million
U.S. WTO bound duty on green peppers (AVE):	4.3%
Trade Impact of Duty Increase	\$21.3 million
Value of U.S. imports of Mexican grapes:	\$301 million
U.S. WTO bound duty on grapes:	7%
Trade Impact of Duty Increase:	\$21 million
Value of U.S. imports of Mexican cucumbers:	\$246
U.S. WTO bound duty on cucumbers:	11.9%
Trade Impact of Duty Increase:	\$29.2 million
Value of U.S. imports of Mexican cauliflowers:	\$227 million
Highest U.S. WTO bound duty on cauliflowers:	14.9%
Trade Impact of Duty Increase	\$33.8 million
Value of U.S. imports of Mexican avocados:	\$227 million
U.S. WTO bound duty on avocados (AVE):	8.5%
Trade Impact of Duty Increase	\$19.2 million
Value of U.S. imports of Mexican onions:	\$180 million
Highest U.S. WTO bound duty on onions (AVE):	5.6%
Trade Impact of Duty Increase:	\$10 million
Value of U.S. imports of Mexican squash:	\$170 million
U.S. WTO bound duty on squash:	2.2%
Trade Impact of Duty Increase:	\$3.7 million
Value of U.S. imports of Mexican melons:	\$146 million
Highest U.S. WTO bound duty on melons (AVE):	29.8%
Trade Impact of Duty Increase:	\$43.5 million
Value of U.S. imports of Mexican citrus:	\$139 million
U.S. WTO bound duty for limes:	.8%
Trade Impact of Duty Increase:	\$1.1 million
Value of U.S. imports of Mexican strawberries:	\$132 million
Highest U.S. WTO bound duty for strawberries:	11.2%
Trade Impact of Duty Increase:	\$14.7 million
Value of U.S. imports of Mexican pecans:	\$131 million
Highest WTO bound duty for pecans (AVE):	4%
Trade Impact of Duty Increase:	\$5.2 million
Value of U.S. imports of Mexican mangoes	\$112 million
Highest U.S. WTO bound duty on mangoes (AVE):	12.6%
Trade Impact of Duty Increase:	\$14.1 million
Value of U.S. imports of Mexican asparagus:	\$98 million

U.S. WTO Bound duty for asparagus:	14.9%
Trade Impact of Duty Increase:	\$14.6 million

Value of U.S. imports of Mexican beans:	\$41 million
U.S. WTO bound duty for beans (AVE):	1.5%
Trade Impact of Duty Increase	\$615,000

Value of U.S. imports of Mexican eggplant:	\$39 million
U.S. WTO bound rate for eggplant (AVE):	3.1%
Trade Impact of Duty Increase:	\$1.2

Value of U.S. imports of Mexican lettuce:	\$30 million
Highest U.S. WTO bound duty lettuce:	8.7%
Trade Impact of Duty Increase	\$2.6

Value of U.S. radish imports from Mexico:	\$15 million
U.S. WTO bound duty for radishes:	2.2%
Trade Impact of Duty Increase	\$330,000

Total Trade Impact of Increasing U.S. Duties for all Products Listed Above to Their WTO Bound Rates: \$272.8 million