

GLOBAL MEXICO

THE STEEL WAR



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Mexico, AHMSA, DeAcero and Tubacero, the top 5 steel enterprises in Mexico, have asked the government more drastic measures such as the implementation of a temporary tariff of up to 35% on imports from countries with which Mexico has no trade agreements, like China. Sounds legit is we take in account that the battle is already taking jobs and the CAN-ACERO has warned that sector could dismiss about 7,000 workers in the coming months.

Why not implenting a more severe defense strategy? The Ministry of Energy is between a rock and a hard place, not wanting to further increase import tariffs as this would affect the producers of consumer goods and manufacturers of cars and appliances; the aerospace industry or construction; and Pemex and CFE's infrastructure plans. And while steelmakers in-

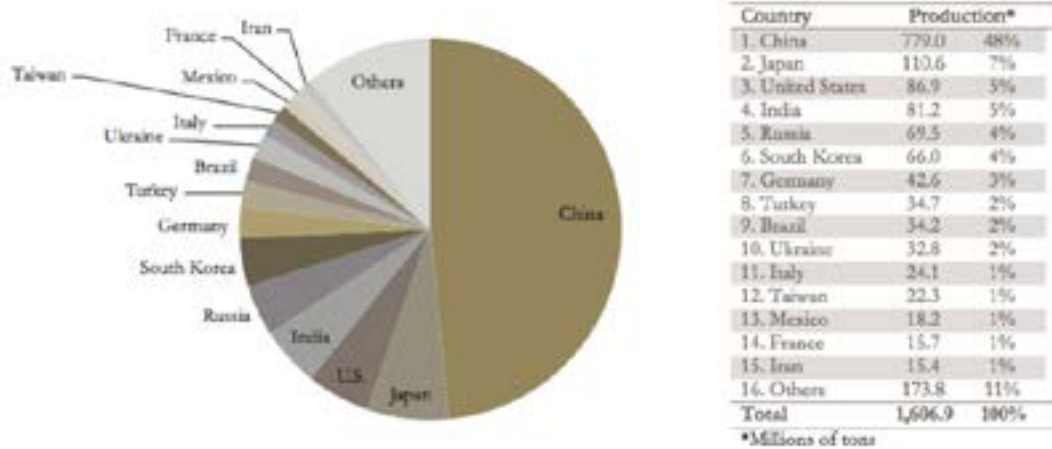
Presently, low prices have caused an import expansion of Chinese steel products. Alacero just reported that between January and last May, China exported 3.8 million tons to the region, an increment of 12% over the same period last year. Mexico was among the four countries that increased their imports in this period by 66% annual rate.

As forecasted, this is not just a problem for Mexico, which has an exemplary respect to international trade laws. The U.S., Canada and the European

Union have already implemented Chinese steel back taxes and increased tariffs. for the moment, Mexico is still conducting workshops with national industry's representatives to defend their interests. This month, the Ministry of Economy announced that it will implement retroactive duties on steel products, expand surveillance of temporary steel imports and expedite investigations of dumping.

On behalf of the private sector, these defense strategy seems to be insufficient (Gascon 2015). Arcelor Mittal

International Steel Production in 2013



dicate that the effects would not be significant, since 89% of the steel used by the automotive industry comes from countries with which Mexico has international treaties the working tables seeking harmonize interests are heating up and jobs are being lost.



We conclude that no country can properly defend its interest against dishonest trade practices by their own. If international institutions such as the World Trade Organization do not solve and punish promptly, the panorama seems very complicated. The steel battle concerns the entire international community, and it is its duty to enforce the rules that have been already assented. Mexico has firmly called, through diplomatic channels, the relevant international agencies to cease, punished and protect against Chinese unfair practices. The slowdown of its economy is not a reason to intentionally harm international trade. In this case we talk about a steel battle, but what about other industries such as manufactures?

After the recovery from the economic shrink of 2008, Mexican steel industry gave the impression to be able to re-grow due to the growth of auto and housing demand from the automotive industry and housing. Is it going to be plausible?

▶ MEXICAN GOVERNMENT SET TO PREPARE A ZERO-BASED BUDGET FOR 2016

Affected by the international financial crisis, the strengthening of the US dollar and the fall of oil prices, the Mexican government faces a resource-short scenario ahead of next year. Having already taken cautionary measures this year, which included the cancellation of the Querétaro-México high speed train and federal agencies assuming budget cuts, federal authorities have determined to prepare the 2016

budget on a zero-based approach. Zero-based budgeting will abide the federal Government to undertake austerity measures while it prioritizes social and productive programs, and continues to boost investment in infrastructure. By the end of July, the Finance Ministry had already sent the planning structure to the Chamber of Deputies in order to work on the 2016 Budget project.

The Finance Ministry aims at reducing the number of budgetary programs from 1,097 to 851. According to Pedro Ángel Contreras López, Head of the Centre of Public Finance Studies, decreasing the number of programs facing budget cuts represents a difficult task in order to meet all demands (Ojeda, 2015).

Each and every government program will undergo an assessment as if they had no budget assigned. Federal authorities remark that this exercise will allow government agencies to analyze their social policies and programs, to determine which of them should exist, according to the country's current necessities, and to make sure is the resources assigned to them are used efficiently.

In order to involve all the actors concerned with the zero-based budgeting preparation of the 2016 Budget, several events are to be held, such as the "Contributions to Zero-based Budgeting International Congress" in the Chamber

of Deputies, where 2000 Economics Nobel Prize winner James J. Heckman spoke in favor of rethinking public policy and prioritize productive programs with a strategy based in human development, and advised to consider problem prevention and not only problem reduction (Matute González, 2015).

Approving a zero-based budget will require the Mexican government to have political capital and operation skills within Congress, hence the necessity of President Enrique Peña to reach a majority of his party PRI in the Chamber of Deputies and to assemble a group of experienced politicians who will have the task of negotiating and approving the last three of his administration's budgets.

Among these politicians who got elected for the 63th Session of Congress, César Camacho, current head of PRI and former governor of the State of Mexico, and Ivonne Ortega, former governor of Yucatán, are the most possible next leaders of PRI's parliamentary group at the Chamber of Deputies, and the highest organ at the Lower House, respectively (Cortés, 2015).

Notwithstanding the difficult task both the federal government and the Chamber of Deputies will face ahead of 2016, zero-based budgeting brings the opportunity to foster efficiency in government spending and transparency. Furthermore, it will prevent several government agencies from compromising resources in attaining a same goal, as well as expenditure in policies that give no tangible results.



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