



TUFTS UNIVERSITY
Global Development and Environment Institute

To: T-MEC/USMCA Secretariat

Date: November 7, 2023 (Submitted electronically through email: ssmtlc@economia.gob.mx)

Please accept this request, on behalf of the Global Development and Environment Institute (GDAE) at Tufts University in Medford, Mass., USA, to allow researcher Timothy A. Wise to provide information to the U.S. Mexico Canada Agreement (USMCA) panel formed to consider the trade dispute formally initiated on August 17 by the Office of the U.S. Trade Representative (USTR) against the government of Mexico on measures that restrict the use of genetically modified (GM) corn.

The USTR complaint is based on Mexico's February 13, 2023 presidential decree, which superseded a December 2020 decree that mandated a more far-reaching range of trade and other measures. The U.S. challenges two elements: the "Tortilla Corn Ban," which prohibits the use of GM corn in tortillas and corn-flour preparations using minimally processed corn for direct human consumption; and the "Substitution Instruction," which instructs the government to gradually substitute non-GM corn for GM corn in animal feed, industrial uses, and other food preparations, as supplies of non-GM corn allow and with no deadline for such substitution and no specific measures – trade or otherwise – indicated for achieving that goal.

The proposed comment, by a GDAE-affiliated economic researcher with extensive background in analyzing Mexican corn markets and the economic impacts of trade agreements and the economic models employed in assessing trade-policy changes, will assist the panel in determining whether Mexico's February 2023 decree has caused economic losses to U.S. exporters and if so to what degree such losses are significant. This is relevant to both the justification for a USMCA complaint and to any estimation of U.S. economic losses. The proposed comment, which will express Wise's expert opinion not necessarily those of Tufts University, will review prior economic modeling and evaluate any further economic analyses offered by the U.S. to help the panel ascertain the existence and extent of economic impacts.

GDAE has, since 1993, produced economic policy analysis and developed economics teaching materials with a focus on ensuring that environmental costs and benefits are adequately accounted for in economic theory and practice.¹ Timothy A. Wise worked with GDAE as a staff researcher from 1999- 2016, then became a Research Affiliate alongside his work as a Senior

¹ <https://sites.tufts.edu/gdae/>

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Advisor with the Institute for Agriculture and Trade Policy in Minnesota.² In those roles, he carried out extensive research on trade and agriculture in Mexico under the North American Free Trade Agreement.³ That included detailed analyses of U.S.-Mexico corn trade and the impacts of rising imports on Mexico's corn biodiversity.⁴ His 2019 book, *Eating Tomorrow*, includes two chapters on Mexico, one on NAFTA's impacts on farmers, another on the 2013 lawsuit that placed an injunction on GM corn cultivation in Mexico.⁵ Wise has experience analyzing economic models used to assess trade agreements, from the World Trade Organization to NAFTA and the USMCA.⁶

The proposed submission would address the following issues of law and fact related to the restrictions imposed by the February 2023 decree and its economic impacts on U.S. exporters:

- The U.S. complaint, and its assertion of economic costs to U.S. exporters, is based more on the December 2020 decree than on the revised version. Economic modeling commissioned by CropLife generated exaggerated damage estimates which are now largely mooted by the current decree. The submission will review those flaws.⁷
- Specifically, Mexico's February 2023 decree limits the restrictions to the use of GM corn from any source in tortillas and corn flour. Because Mexico is largely self-sufficient in the white and native varieties of corn used in that value chain, the restriction affects a small fraction of U.S. corn exports to Mexico. As such, very few U.S. farmers or exporters are affected by the restrictions.
- Alternative scenario modeling, even by CropLife's own commissioned analysis, acknowledges that with more limited restrictions, such as in the February 2023 decree, "the market adjusts relatively quickly and the large shifts in farm trends and the grain handling industry are not predicted."⁸
- Because the decree restricts the use, not importation, of GM corn, U.S. producers of GM corn, even white corn, remain free to export to Mexico, just not to buyers in the tortilla/flour sector. And U.S. non-GM corn producers remain free to export even to that sector.
- As such, Mexico has closely adhered to the USMCA requirement to employ the least trade-distorting measure available to achieve its policy objectives, in this case

² <https://sites.tufts.edu/gdae/researchers/#wise-anchor>

³ <https://www.timothyawise.com/trade-and-global-governance#Mexico-NAFTA>

⁴ See, for example: "The Environmental Costs of Agricultural Trade Liberalization: Mexico-U.S. Maize Trade Under NAFTA," Alejandro Nadal and Timothy A. Wise, *Working Group Discussion Paper DP-04*, June 2004; "Policy Space for Mexican Maize: Protecting Agro-biodiversity by Promoting Rural Livelihoods," by Timothy A. Wise, *GDAE Working Paper No. 07-01*, February, 2007.

⁵ <https://www.timothyawise.com/book>

⁶ "Are There Large New Gains from Trade?" by Kevin P. Gallagher and Timothy A. Wise, *Bridges Trade Monthly*, February 2010.

⁷ "Distorting Markets in the Name of Free Trade: Overestimating the costs of Mexico's proposed phaseout of GM corn imports," IATP Policy Brief, December 20, 2022.

⁸ World Perspectives Institute study, page 38: https://www.bio.org/sites/default/files/2022-10/Implications%20and%20Consumer%20Price%20Impacts%20of%20a%20Mexican%20GM%20Corn%20Ban_Final_221003%20%28002%29.pdf

precautionary steps to protect human health and the environment. The USMCA's SPS chapter allows for such science-based precautionary policies.

- The "Substitution Instruction" should not be considered a trade restriction by the panel as it carries no deadline, delineates no trade measures, does not discriminate against U.S. producers, and has caused no measurable economic harm.
- Economic analysis to date assumes losses on the part of U.S. producers, but farmers who shift to non-GM corn production would see a higher price for their "specialty" corn. The net economic impact on U.S. farmers could well be positive.

Neither GDAE nor Timothy A. Wise has formal relationships with the parties to this dispute. Wise has been invited to speak in webinars organized by entities of the Mexican government. No assistance or funding has been received, paid or offered in association with the written comments we hope to provide the tribunal.

Respectfully submitted, for GDAE,



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